

# **KAMIESBERG**

## **MUNICIPALITY**

[These financial statements have not been audited]

### **FINANCIAL STATEMENTS**

**30 JUNE 2013**

# KAMIESBERG MUNICIPALITY

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# KAMIESBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Kamiesberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Kamiesberg Municipality includes the following areas of Garies, Hondeklipbaai, Kamassies, Kheis, Kharkams, Kamieskroon, Klipfontein, Leliefontein, Lepelsfontein, Nourivier, Paulshoek, Rooifontein, Soebatsfontein, Spoegrivier and Tweerivier.

#### MUNICIPAL MANAGER

JG Cloete

#### CHIEF FINANCIAL OFFICER

R Beukes

#### REGISTERED OFFICE

Private Bag X200  
Garies  
8220

#### AUDITORS

Auditor-General  
Private Bag X5013  
KIMBERLEY  
8300

#### PRINCIPLE BANKERS

First Nasional Bank

#### ATTORNEYS

Schreuders

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations

# KAMIESBERG MUNICIPALITY

## MEMBERS OF THE KAMIESBERG MUNICIPALITY

WARD	COUNCILLOR
1	EA Stewens
2	PJ Willems
3	HG Links
4	MJ Cloete
Proportional	SC Nero
Proportional	MR Klaase
Proportional	MS Cardinal

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages X to XX in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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JG Cloete  
Municipal Manager

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Date

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	2012 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>82 171 466</b>	<b>87 838 669</b>
Accumulated Surplus/(Deficit)		82 171 466	87 838 669
<b>Non-Current Liabilities</b>		<b>11 559 929</b>	<b>10 670 135</b>
Long-term Liabilities	2	453 682	374 472
Non-current Provisions	3	9 339 611	8 810 954
Non-current Employee Benefits	4	1 766 636	1 484 709
<b>Current Liabilities</b>		<b>28 660 492</b>	<b>18 474 246</b>
Consumer Deposits	5	29 670	21 499
Provisions	6	-	-
Current Employee Benefits	7	1 218 658	843 118
Payables from exchange transactions	8	15 369 533	7 483 325
Unspent Conditional Government Grants and Receipts	9	7 913 917	5 989 798
Unspent Conditional Public Contributions and Receipts	10	-	-
Cash and Cash Equivalents	20.2	3 967 366	3 929 281
Current Portion of Long-term Liabilities	2	161 347	207 226
<b>Total Net Assets and Liabilities</b>		<b>122 391 886</b>	<b>116 983 050</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>113 081 309</b>	<b>103 200 669</b>
Property, Plant and Equipment	13	112 462 781	102 493 685
Investment Property	14	502 059	502 059
Intangible Assets	15	116 469	204 925
<b>Current Assets</b>		<b>9 310 577</b>	<b>13 782 381</b>
Inventory	16	52 427	37 478
Receivables from exchange transactions	17	2 994 499	3 529 052
Receivables from non-exchange transactions	18	2 120 632	7 319 884
Unpaid Conditional Government Grants and Receipts	9	108 851	-
Operating Lease Asset	19	2 635	2 857
Taxes	11.1	3 389 844	1 914 817
Cash and Cash Equivalents	20.1	641 690	978 293
<b>Total Assets</b>		<b>122 391 886</b>	<b>116 983 050</b>

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>35 720 901</b>	<b>34 193 162</b>
<b>Taxation Revenue</b>		<b>2 807 223</b>	<b>2 485 717</b>
Property taxes	21	2 807 223	2 485 717
<b>Transfer Revenue</b>		<b>32 910 438</b>	<b>31 706 300</b>
Government Grants and Subsidies	22	32 090 306	30 085 801
Public Contributions and Donations	23	473 515	1 620 499
Contributed Property, Plant and Equipment	24	346 617	-
<b>Other Revenue</b>		<b>3 240</b>	<b>1 145</b>
Fines		553	1 145
Actuarial Gains	4	2 687	-
<b>Revenue from Exchange Transactions</b>		<b>10 871 212</b>	<b>8 752 372</b>
Property Rates - penalties imposed and collection charges		-	527 847
Service Charges	25	6 984 540	5 864 576
Rental of Facilities and Equipment	26	158 928	197 991
Interest Earned - external investments	27	87 603	191 632
Interest Earned - outstanding receivables	28	2 089 763	1 294 782
Licences and Permits		124 033	805
Income for Agency Services		343 398	363 759
Other Income	29	1 082 947	310 980
Unamortised Discount - Interest		-	-
<b>Total Revenue</b>		<b>46 592 112</b>	<b>42 945 534</b>
<b>EXPENDITURE</b>			
Employee related costs	30	(13 408 139)	(12 348 513)
Remuneration of Councillors	31	(2 031 259)	(1 926 631)
Debt Impairment	32	(4 853 085)	(2 990 318)
Depreciation and Amortisation	33	(7 565 537)	(8 036 865)
Repairs and Maintenance		(3 008 771)	(3 568 340)
Actuarial Losses	4	(82 113)	(55 520)
Finance Costs	34	(772 345)	(1 004 383)
Bulk Purchases	35	(7 237 394)	(5 132 461)
Contracted Services		(401 709)	(466 720)
Grants and Subsidies Paid		-	-
Other Operating Grant Expenditure	36	(8 913 512)	(6 628 680)
General Expenses	37	(3 962 266)	(3 504 149)
<b>Total Expenditure</b>		<b>(52 236 130)</b>	<b>(45 662 579)</b>
<b>Operating Surplus for the Year</b>		<b>(5 644 017)</b>	<b>(2 717 045)</b>
Gains/(Loss) on Sale of Assets	38	(23 186)	(32 172)
(Impairment loss)/Reversal of impairment loss	39	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(5 667 203)</b>	<b>(2 749 217)</b>

KAMIESBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2011</b>	-	<b>66 719 362</b>	<b>66 719 362</b>
Correction of Error - Note 40.17	-	23 868 524	23 868 524
<b>Restated balance</b>	-	<b>90 587 886</b>	<b>90 587 886</b>
Net Surplus/(Deficit) for the year	-	(2 749 217)	(2 749 217)
Balance previously reported	-	(2 161 368)	(2 161 368)
Effects of Correction of Errors - Note 40.18	-	(587 849)	(587 849)
<b>Restated balance at 30 June 2012</b>	-	<b>87 838 669</b>	<b>87 838 669</b>
Net Surplus/(Deficit) for the year	-	(5 667 203)	(5 667 203)
<b>Balance at 30 June 2013</b>	-	<b>82 171 466</b>	<b>82 171 466</b>

# KAMIESBERG MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Taxation		6 619 833	1 238 949
Sale of goods and services		5 657 112	5 206 194
Grants		33 905 576	34 442 489
Investment Income		87 603	191 632
Other receipts		2 183 373	643 255
Cash payments			
Employee costs		(15 439 398)	(12 972 658)
Suppliers		(14 948 262)	(20 467 923)
Finance costs		(129 980)	(502 540)
<b>Net Cash from Operating Activities</b>	<b>41</b>	<b>17 935 857</b>	<b>7 779 398</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(18 486 140)	(14 725 695)
Proceeds on Disposal of Fixed Assets		142 265	96 878
(Increase)/Decrease in Intangible Assets		-	(3 500)
(Increase)/Decrease in Non-current Assets Held for Sale		-	32 619
(Increase)/Decrease in Investment Properties		-	-
(Increase)/Decrease in Long-term Receivables		-	-
(Increase)/Decrease in Non-current Investments		-	-
<b>Net Cash from Investing Activities</b>		<b>(18 343 876)</b>	<b>(14 599 698)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		346 248	-
Loans repaid		(312 917)	-
<b>Net Cash from Financing Activities</b>		<b>33 332</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(374 687)</b>	<b>(6 820 300)</b>
Cash and Cash Equivalents at the beginning of the year		(2 950 988)	3 869 312
Cash and Cash Equivalents at the end of the year	<b>54</b>	<b>(3 325 676)</b>	<b>(2 950 988)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(374 688)</b>	<b>(6 820 300)</b>



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The standards are summarised as follows:

REFERENCE	TOPIC
<b>GRAP Framework</b>	Framework for the preparation and presentation of financial statements
<b>GRAP 2 (Revised)</b>	Cash Flow Statements
<b>GRAP 4 (Revised)</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associates
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 10 (Revised)</b>	Financial Reporting in Hyperinflationary Economics
<b>GRAP 11 (Revised)</b>	Construction Contracts
<b>GRAP 14 (Revised)</b>	Events after the reporting date
<b>GRAP 19 (Revised)</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 21</b>	Impairment of non-cash-generating assets
<b>GRAP 23</b>	Revenue from Non-exchange Transactions

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>GRAP 24</b>	Presentation of Budget Information in Financial Statements
<b>GRAP 26</b>	Impairment of cash-generating assets
<b>GRAP 100 (Revised)</b>	Non-current Assets Held for Sale and Discontinued Operations
<b>GRAP 103</b>	Heritage Assets
<b>GRAP 104</b>	Financial Instruments
<b>IGRAP 1</b>	Applying the probability test on initial recognition of exchange revenue
<b>IGRAP 2</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities
<b>IGRAP 3</b>	Determining whether an Arrangement Contains a Lease
<b>IGRAP 4</b>	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
<b>IGRAP 5</b>	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
<b>IGRAP 6</b>	Loyalty Programmes
<b>IGRAP 7</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IGRAP 8</b>	Agreements for the Construction of Assets from Exchange Transactions
<b>IGRAP 9</b>	Distribution of Non-cash Assets to Owners
<b>IGRAP 10</b>	Assets Received from Customers
<b>IGRAP 13</b>	Operating Leases – Incentives
<b>IGRAP 14</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
<b>IGRAP 15</b>	Revenue – Barter Transactions Involving Advertising Services
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 4</b>	Insurance Contracts
<b>IFRS 6</b>	Exploration for and Evaluation of Mineral Resources
<b>IFRIC 12</b>	Service Concession Arrangements
<b>Directive 5</b>	Determining the GRAP Reporting Framework
<b>Directive 7</b>	The Application of Deemed Cost on the Adoption of Standards of GRAP
<b>ASB guide 1</b>	Guideline on Accounting for Public Private Partnerships

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

<b>REFERENCE</b>	<b>TOPIC</b>	<b>EFFECTIVE DATE</b>
<b>GRAP 1 (Revised – Mar 2012)</b>	Presentation of Financial Statements	1 April 2013
<b>GRAP 3 (Revised – Mar 2012)</b>	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>GRAP 9 (Revised – Mar 2012)</b>	Revenue from Exchange Transactions	1 April 2013
<b>GRAP 12 (Revised – Mar 2012)</b>	Inventories	1 April 2013
<b>GRAP 13 (Revised – Mar 2012)</b>	Leases	1 April 2013
<b>GRAP 16 (Revised – Mar 2012)</b>	Investment Property	1 April 2013
<b>GRAP 17 (Revised – Mar 2012)</b>	Property, Plant and Equipment	1 April 2013
<b>GRAP 25 (Original – Nov 2009)</b>	Employee Benefits	1 April 2013
<b>GRAP 27 (Revised – Mar 2012)</b>	Agriculture	1 April 2013
<b>GRAP 31 (Revised – Mar 2012)</b>	Intangible Assets	1 April 2013
<b>IGRAP 16 (Issued – Mar 2012)</b>	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

**1.6. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS  
ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b><u>Consolidated and Separate Financial Statements</u></b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
<b>GRAP 7 (Revised – Mar 2012)</b>	<p><b><u>Investments in Associate</u></b></p> <p>This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does have any interest in associates.</p>	1 April 2013
<b>GRAP 8 (Revised – Nov 2010)</b>	<p><b><u>Interest in Joint Ventures</u></b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b><u>Segment Reporting</u></b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.</p>	Unknown
<b>GRAP 20 (Original – Jun 2011)</b>	<p><b><u>Related Party Disclosure</u></b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b><u>Transfer of Functions Between Entities Under Common Control</u></b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b><u>Transfer of Functions Between Entities Not Under Common Control</u></b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b><u>Mergers</u></b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
<b>IGRAP 11</b>	<p><b><u>Consolidation - Special Purpose Entities (SPE)</u></b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
<b>IGRAP 12</b>	<p><b><u>Jointly Controlled Entities non-monetary contributions</u></b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.8. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

## **1.9. RESERVES**

### **1.9.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

**1.9.2. Revaluation Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.10. LEASES**

**1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.



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- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource

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embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;

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- the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

#### **1.15. EMPLOYEE BENEFITS**

##### ***(a) Pension and Retirement Fund Obligations***

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

##### ***(b) Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 –

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Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**(e) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

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**(f) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.16. PROPERTY, PLANT AND EQUIPMENT**

**1.16.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.16.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.16.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<b><u>Infrastructure</u></b>	<b><u>Years</u></b>	<b><u>Other</u></b>	<b><u>Years</u></b>
Roads and Paving	10-30	Buildings	30
Pedestrian Malls	20	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and Equipment	10-15
Buildings	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	20
Security Halls	5	Quarries	25
Libraries	20-30	Emergency equipment	10
Parks and gardens	20-30		

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Other assets	15-20	Computer equipment	3
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**Finance lease assets**

Office equipment	3
Other assets	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.16.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.17. INTANGIBLE ASSETS**

**1.17.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:



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- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.17.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.17.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a



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prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	5
Computer Software Licenses	5

**1.17.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.18. INVESTMENT PROPERTY**

**1.18.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.18.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.18.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

**1.18.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

**1.19. HERITAGE ASSETS**

**1.19.1. Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.19.2. Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.19.3. Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.19.4. De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.19.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

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**1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.20.1. *Cash generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.20.2. *Non-cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

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The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been

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recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.21. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.22. INVENTORIES**

**1.22.1. Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.22.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

### **1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

#### **1.23.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **1.23.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### **1.23.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for



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which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.23.2.2. *Payables and Annuity Loans***

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.23.2.3. *Cash and Cash Equivalents***

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.



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**1.23.2.4. *Non-Current Investments***

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.23.3. *De-recognition***

**1.23.3.1. *Financial Assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's

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continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.23.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.23.4. *Offsetting***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.24. REVENUE**

**1.24.1. *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

**1.24.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis

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and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service.

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It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.25. TRANSFER OF FUNCTIONS (Municipality as acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute),

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regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### **1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.

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- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;



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- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

**1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.30. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources



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embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

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- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

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***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.34. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.35. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

Notes	Original Budget	Budget Adjustments  (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget  R	Shifting of Funds  (i.t.o. s31 of the MFMA)	Virement  (i.t.o. Council approved by- law)	Final Budget  R	Actual Outcome  2013 R	Actual Outcome as % of Final Budget  %
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	4 252 083	-	4 252 083	-	-	4 252 083	-	-100.00%
Call Investment Deposits	-	-	-	-	-	-	641 690	-
Consumer Debtors	7 295 872	-	7 295 872	-	-	7 295 872	2 994 499	-58.96%
Other Debtors	-	-	-	-	-	-	5 513 111	100.00%
Current Portion of long-term receivables	-	-	-	-	-	-	-	-
Inventory	101 866	-	101 866	-	-	101 866	52 427	-48.53%
<b>Total Current Assets</b>	<b>11 649 821</b>	<b>-</b>	<b>11 649 821</b>	<b>-</b>	<b>-</b>	<b>11 649 821</b>	<b>9 201 727</b>	<b>-21.01%</b>
<b>Non-Current Assets</b>								
Long-term receivables	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	502 059	100.00%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	397 813 090	-	397 813 090	-	-	397 813 090	112 462 781	-71.73%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	116 469	100.00%
Other Non-Current Assets	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>397 813 090</b>	<b>-</b>	<b>397 813 090</b>	<b>-</b>	<b>-</b>	<b>397 813 090</b>	<b>113 081 309</b>	<b>28.43%</b>
<b>TOTAL ASSETS</b>	<b>409 462 911</b>	<b>-</b>	<b>409 462 911</b>	<b>-</b>	<b>-</b>	<b>409 462 911</b>	<b>122 283 035</b>	<b>-70.14%</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft	-	-	-	-	-	-	3 967 366	100.00%
Borrowing	96 460	-	96 460	-	-	96 460	161 347	67.27%
Consumer Deposits	22 000	-	22 000	-	-	22 000	29 670	34.86%
Trade and Other Payables	9 898 034	-	9 898 034	-	-	9 898 034	23 174 600	134.13%
Provisions	918 750	-	918 750	-	-	918 750	1 218 658	32.64%
<b>Total Current Liabilities</b>	<b>10 935 244</b>	<b>-</b>	<b>10 935 244</b>	<b>-</b>	<b>-</b>	<b>10 935 244</b>	<b>28 551 641</b>	<b>161.10%</b>
<b>Non-Current Liabilities</b>								
Borrowing	2 100 000	-	2 100 000	-	-	2 100 000	453 682	-78.40%
Provisions	-	-	-	-	-	-	11 106 247	100.00%
<b>Total Non-Current Liabilities</b>	<b>2 100 000</b>	<b>-</b>	<b>2 100 000</b>	<b>-</b>	<b>-</b>	<b>2 100 000</b>	<b>11 559 929</b>	<b>450.47%</b>
<b>TOTAL LIABILITIES</b>	<b>13 035 244</b>	<b>-</b>	<b>13 035 244</b>	<b>-</b>	<b>-</b>	<b>13 035 244</b>	<b>40 111 570</b>	<b>207.72%</b>
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	396 427 667	-	396 427 667	-	-	396 427 667	82 171 466	-79.27%
Reserves	-	-	-	-	-	-	-	-
Minorities' Interests	-	-	-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>396 427 667</b>	<b>-</b>	<b>396 427 667</b>	<b>-</b>	<b>-</b>	<b>396 427 667</b>	<b>82 171 466</b>	<b>-79.27%</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2013 R	%
<b>REVENUE</b>								
Property Rates	2 897 934	969 066	3 867 000	-	-	3 867 000	2 807 223	-27.41%
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-
Service Charges - Electricity Revenue	4 898 452	(1 128 003)	3 770 449	-	-	3 770 449	3 736 592	-0.90%
Service Charges - Water Revenue	3 541 156	582 813	4 123 969	-	-	4 123 969	3 039 086	-26.31%
Service Charges - Sanitation Revenue	76 206	-	76 206	-	-	76 206	1 024 140	1243.91%
Service Charges - Refuse Revenue	3 004 694	(1 189 739)	1 814 955	-	-	1 814 955	1 455 890	-19.78%
Service Charges - Other Revenue	480 000	(3 893)	476 107	-	-	476 107	381 806	-19.81%
Rental of Facilities and Equipment	163 000	(32 000)	131 000	-	-	131 000	158 928	21.32%
Interest Earned - External Investments	-	-	-	-	-	-	87 603	-
Interest Earned - Outstanding Debtors	2 103 000	(1 338 544)	764 456	-	-	764 456	2 089 763	173.37%
Dividends Received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	553	-
Licences and Permits	31 000	-	31 000	-	-	31 000	124 033	300.11%
Agency Services	-	-	-	-	-	-	343 398	-
Transfers Recognised - Operational	16 641 000	(1 825 447)	14 815 553	-	-	14 815 553	32 090 306	116.60%
Other Revenue	708 955	(17 403)	691 552	-	-	691 552	1 085 634	56.99%
Gains on Disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>34 545 397</b>	<b>(3 983 150)</b>	<b>30 562 247</b>	<b>-</b>	<b>-</b>	<b>30 562 247</b>	<b>48 424 955</b>	<b>58.45%</b>
<b>EXPENDITURE</b>								
Employee Related Costs	(14 336 343)	270 817	(14 065 526)	-	-	(14 065 526)	(13 490 252)	-4.09%
Remuneration of Councillors	(1 945 000)	(54 835)	(1 999 835)	-	-	(1 999 835)	(2 031 259)	1.57%
Debt Impairment	-	-	-	-	-	-	(4 853 085)	-
Depreciation and Asset Impairment	(2 729 340)	-	(2 729 340)	-	-	(2 729 340)	(7 565 537)	177.19%
Finance Charges	(52 000)	-	(52 000)	-	-	(52 000)	(772 345)	1385.28%
Bulk Purchases	(5 954 338)	-	(5 954 338)	-	-	(5 954 338)	(7 237 394)	21.55%
Other Materials	-	-	-	-	-	-	-	-
Contracted Services	-	-	-	-	-	-	(401 709)	-
Transfers and Grants	-	-	-	-	-	-	-	-
Other Expenditure	(9 300 366)	463 640	(8 836 726)	-	-	(8 836 726)	(18 537 524)	109.78%
Loss on Disposal of PPE	-	-	-	-	-	-	(23 186)	-
<b>Total Expenditure</b>	<b>(34 317 387)</b>	<b>679 622</b>	<b>(33 637 765)</b>	<b>-</b>	<b>-</b>	<b>(33 637 765)</b>	<b>(54 912 290)</b>	<b>63.25%</b>
<b>Surplus/(Deficit)</b>	<b>228 010</b>	<b>(3 303 528)</b>	<b>(3 075 518)</b>	<b>-</b>	<b>-</b>	<b>(3 075 518)</b>	<b>(6 487 335)</b>	<b>110.93%</b>
Transfers Recognised - Capital	14 031 000	-	14 031 000	-	-	14 031 000	-	-100.00%
Contributions Recognised - Capital	-	-	-	-	-	-	473 515	-
Contributed Assets	-	-	-	-	-	-	346 617	-
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>14 259 010</b>	<b>(3 303 528)</b>	<b>10 955 482</b>	<b>-</b>	<b>-</b>	<b>10 955 482</b>	<b>(5 667 203)</b>	<b>-151.73%</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Taxation</b>	<b>14 259 010</b>	<b>(3 303 528)</b>	<b>10 955 482</b>	<b>-</b>	<b>-</b>	<b>10 955 482</b>	<b>(5 667 203)</b>	<b>-151.73%</b>
Attributable to Minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>14 259 010</b>	<b>(3 303 528)</b>	<b>10 955 482</b>	<b>-</b>	<b>-</b>	<b>10 955 482</b>	<b>(5 667 203)</b>	<b>-151.73%</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>14 259 010</b>	<b>(3 303 528)</b>	<b>10 955 482</b>	<b>-</b>	<b>-</b>	<b>10 955 482</b>	<b>(5 667 203)</b>	<b>-151.73%</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

Notes	Original Budget	Budget Adjustments  (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds  (i.t.o. s31 of the MFMA)	Virement  (i.t.o. Council approved by- law)	Final Budget	Actual Outcome  2013 R	Actual Outcome as % of Final Budget  %
	R	R	R	R	R	R	R	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	17 904 730	-	17 904 730	-	-	17 904 730	14 460 318	-19.24%
Government - Operating	16 641 000	-	16 641 000	-	-	16 641 000	33 905 576	103.75%
Government - Capital	14 031 447	-	14 031 447	-	-	14 031 447		-100.00%
Interest	-	-	-	-	-	-	87 603	100.00%
Dividends	-	-	-	-	-	-		-
<b>Payments</b>								
Suppliers and Employees	(30 095 917)	-	(30 095 917)	-	-	(30 095 917)	(30 387 660)	0.97%
Finance Charges	(52 000)	-	(52 000)	-	-	(52 000)	(129 980)	149.96%
Transfers and Grants	-	-	-	-	-	-		-
<b>Net Cash from/(used) Operating Activities</b>	<b>18 429 260</b>	<b>-</b>	<b>18 429 260</b>	<b>-</b>	<b>-</b>	<b>18 429 260</b>	<b>17 935 857</b>	<b>-2.68%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	-	-	-	142 265	100.00%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-		-
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital Assets	(14 031 447)	-	(14 031 447)	-	-	(14 031 447)	(18 486 140)	31.75%
<b>Net Cash from/(used) Investing Activities</b>	<b>(14 031 447)</b>	<b>-</b>	<b>(14 031 447)</b>	<b>-</b>	<b>-</b>	<b>(14 031 447)</b>	<b>(18 343 876)</b>	<b>30.73%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short Term Loans	-	-	-	-	-	-		-
Borrowing long term/refinancing	-	-	-	-	-	-	346 248	100.00%
Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-		-
<b>Payments</b>								
Repayment of Borrowing	(150 277)	-	(150 277)	-	-	(150 277)	(312 917)	108.23%
<b>Net Cash from/(used) Financing Activities</b>	<b>(150 277)</b>	<b>-</b>	<b>(150 277)</b>	<b>-</b>	<b>-</b>	<b>(150 277)</b>	<b>33 332</b>	<b>-122.18%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>4 247 536</b>	<b>-</b>	<b>4 247 536</b>	<b>-</b>	<b>-</b>	<b>4 247 536</b>	<b>(374 687)</b>	<b>-108.82%</b>
Cash and Cash Equivalents at the year begin:	5 000	-	5 000			5 000	(2 950 988)	-59120.47%
Cash and Cash Equivalents at the year end:	4 252 536	-	4 252 536	-	-	4 252 536	(3 325 675)	-178.20%



INSERT ACCOUNTING POLICY

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>2. LONG TERM LIABILITIES</b>		
Capitalised Lease Liability - At amortised cost	615 029	574 590
Correction of Error - Note 40.8	-	7 109
	<b>615 029</b>	<b>581 699</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>(161 347)</b>	<b>(207 226)</b>
Capitalised Lease Liability - At amortised cost	(161 347)	(203 889)
Correction of Error - Note 40.16	-	(3 337)
	<b>453 682</b>	<b>374 473</b>
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>453 682</b>	<b>374 473</b>

	2013 R	2012 R
<b>2.1</b>	<b>Minimum payments</b>	
The obligations under finance leases are scheduled below		
Amounts payable under finance leases:		
Payable within one year	250 311	280 319
Payable within two to five years	570 540	444 949
Payable after five years	-	-
	<b>820 851</b>	<b>725 268</b>
<b>Less:</b> Future finance obligations	<b>(205 821)</b>	<b>(143 569)</b>
<b>Present value of finance lease obligations</b>	<b>615 030</b>	<b>581 699</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua Mobile	Laptops & Modums	10%	0%	2 Years	31/01/2015
Nashua	Fax machines and Copiers	14%	0%	5 Years	28/02/2018

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 1:

<b>3. NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	9 339 611	36 722 670
Provision for Long Service Awards	-	537 512
Correction of Error - Note 40.1	-	(28 449 230)
<b>Total Non-current Provisions</b>	<b>9 339 611</b>	<b>8 810 952</b>
<b>3.1 Landfill Sites</b>		
Balance 1 July	8 810 953	33 520 064
Contribution for the year	528 657	3 202 607
Correction of Error - Note 40.1	-	(27 911 717)
<b>Total provision 30 June</b>	<b>9 339 611</b>	<b>8 810 953</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 6	-	-
<b>Balance 30 June</b>	<b>9 339 611</b>	<b>8 810 953</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

**KAMIESBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Hondeklip Bay</b>	<b>Klipfontein</b>	<b>Soebatsfontein</b>	<b>Garies</b>
Area (m <sup>2</sup> )	10 560	2 550	7 650	10 080
Rehabilitation volume (m <sup>3</sup> )	1 056	213	319	4 200
Fence (m)	420	-	350	-
Cost of fence (Rand)	231 000	-	192 500	-
Site Clearance (Rand)	58 080	11 688	17 531	231 000
Excavation cost (Rand)	115 040	86 406	119 609	479 375
Filling (Rand)	264 000	127 500	382 500	504 000
Preliminary and general (Rand)	100 218	33 839	106 821	182 156
Fees and expenses (Rand)	246 834	195 943	251 896	309 653

	<b>Tweerivier</b>	<b>Kharkams</b>	<b>Spoegrivier</b>	<b>Nourivier</b>
Area (m <sup>2</sup> )	120	4 000	2 400	560
Rehabilitation volume (m <sup>3</sup> )	30	750	150	56
Fence (m)	-	-	200	-
Cost of fence (Rand)	-	-	110 000	-
Site Clearance (R40/m <sup>3</sup> )	1 650	41 250	8 250	3 080
Excavation cost (R40/m <sup>3</sup> )	29 375	254 375	66 875	32 600
Filling (R20/m <sup>2</sup> )	6 000	200 000	120 000	28 000
Preliminary and general (Rand)	5 554	74 344	45 769	9 552
Fees and expenses (Rand)	174 258	226 997	205 089	177 323

	<b>Leliefontein</b>	<b>Rooifontein/ Kamassies</b>	<b>Paulshoek</b>	<b>Kamieskroon</b>
Area (m <sup>2</sup> )	540	480	200	12 740
Rehabilitation volume (m <sup>3</sup> )	405	168	200	1 593
Fence (m)	-	-	-	460
Cost of fence (Rand)	-	-	-	253 000
Site Clearance (R40/m <sup>3</sup> )	22 275	9 240	11 000	87 588
Excavation cost (R40/m <sup>3</sup> )	95 938	72 500	82 500	716 719
Filling (R20/m <sup>2</sup> )	27 000	24 000	10 000	637 000
Preliminary and general (Rand)	21 782	15 861	15 525	254 146
Fees and expenses (Rand)	186 699	182 160	181 903	364 845

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<b>Location</b>	<b>Estimated decommission date</b>	<b>2013  R</b>	<b>2012  R</b>
Hondeklip Bay	2033	3 255 793	3 255 793
Klipfontein	2033	1 460 453	1 460 453
Soebatsfontein	2033	3 434 386	3 434 386
Garies	2018	2 283 260	2 283 260
Tweerivier	2033	695 424	695 424
Kharkams	2033	2 555 977	2 555 977
Spoegrivier	2033	1 783 113	1 783 113
Nourivier	2033	803 564	803 564
Leliefontein	2033	1 134 344	1 134 344
Rooifontein/Kamassies	2033	974 203	974 203
Paulshoek	2033	965 115	965 115
Kamieskroon	2033	7 419 058	7 419 058
		<b>26 764 691</b>	<b>26 764 691</b>

**4. NON-CURRENT EMPLOYEE BENEFITS**

Provision for Post Retirement Health Care Benefits	1 166 231	947 197
Provision for Long Service Awards	600 405	-
Correction of Error - Note 40.2	-	537 512
<b>Total Non-current Employee Benefits</b>	<b>1 766 636</b>	<b>1 484 709</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b><u>Post Retirement Health Care Benefits</u></b>		
Balance 1 July	976 057	813 500
Contribution for the year	169 994	148 559
Expenditure for the year	(30 265)	(27 264)
Actuarial Loss/(Gain)	82 113	41 262
<b>Total provision 30 June</b>	<b>1 197 899</b>	<b>976 057</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 8	(31 668)	(28 860)
<b>Balance 30 June</b>	<b>1 166 231</b>	<b>947 197</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	590 675	487 952
Contribution for the year	116 696	93 545
Expenditure for the year	(10 569)	(5 080)
Actuarial Loss/(Gain)	(2 687)	14 258
<b>Total provision 30 June</b>	<b>694 115</b>	<b>590 675</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 8	(93 710)	(53 163)
<b>Balance 30 June</b>	<b>600 405</b>	<b>537 513</b>

**4.1 Provision for Post Retirement Health Care Benefits**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	15	13
In-service (employee) non-members	68	65
Continuation members (e.g. Retirees, widows, orphans)	2	2
<b>Total Members</b>	<b>85</b>	<b>80</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	513 533	393 335
In-service non-members	394 603	300 382
Continuation members	289 763	282 340
<b>Total Liability</b>	<b>1 197 899</b>	<b>976 057</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R104 547, whereas the Interest Cost for the next year is estimated to be R107 674.

Key actuarial assumptions used:	2013 %	2012 %
<b>i) Rate of interest</b>		
Discount rate	9.11	7.98
Health Care Cost Inflation Rate	7.98	7.10
Net Effective Discount Rate	1.05	0.82
<b>ii) Mortality rates</b>		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
<b>iii) Normal retirement age</b>		
The normal retirement age for employees of the municipality is 63 years for males and 58 years for females.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 197 899	976 057
Fair value of plan assets	-	-
	<u>1 197 899</u>	<u>976 057</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b><u>1 197 899</u></b>	<b><u>976 057</u></b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	976 057	813 500
Total expenses	139 729	121 295
Current service cost	93 260	79 641
Interest Cost	76 734	68 918
Benefits Paid	(30 265)	(27 264)
Actuarial (gains)/losses	82 113	41 262
Present value of fund obligation at the end of the year	<u>1 197 899</u>	<u>976 057</u>

**Reconciliation of fair value of plan assets:**

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Central Assumptions	908 136	289 763	1 197 899	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Health care inflation	1%	1 053 165	304 232	1 357 397	13%
Health care inflation	-1%	770 913	276 628	1 047 541	-13%
Post-retirement mortality	-1 year	945 789	304 676	1 250 465	4%
Average retirement age	-1 year	1 006 657	289 763	1 296 420	8%
Withdrawal Rate	-50%	1 009 317	289 763	1 299 080	8%

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	110 600	87 800	198 400	17%
Health care inflation	-1%	78 900	67 400	146 300	-14%
Post-retirement mortality	-1 year	97 100	80 200	177 300	4%
Average retirement age	-1 year	92 800	83 500	176 300	8%
Withdrawal Rate	-50%	106 600	82 900	189 500	8%

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Experience adjustments were calculated as follows		
Liabilities: (Gain) / loss	82 113	41 262
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25.

#### 4.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 83 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R74 079 whereas the Interest Cost for the next year is estimated to be R46 042.

	2013 %	2012 %
Key actuarial assumptions used:		
<b>i) Rate of interest</b>		
Discount rate	7.10	6.55
General Salary Inflation (long-term)	6.69	5.97
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.39	0.55

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	694 115	590 675
Fair value of plan assets	(590 675)	(590 675)
	<hr/>	<hr/>
	103 440	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
	<hr/>	<hr/>
<b>Net liability/(asset)</b>	<b>103 440</b>	<b>-</b>

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	590 675	487 952
Total expenses	106 127	88 465
	<hr/>	<hr/>
Current service cost	79 722	57 321
Interest Cost	36 974	36 224
Benefits Paid	(10 569)	(5 080)
	<hr/>	<hr/>
Actuarial (gains)/losses	(2 687)	14 258
	<hr/>	<hr/>
Present value of fund obligation at the end of the year	<b>694 115</b>	<b>590 675</b>

#### Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	590 675	590 675
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
	<hr/>	<hr/>
Fair value of plan assets at the end of the year	<b>590 675</b>	<b>590 675</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		694 115	
General salary inflation	1%	737 320	6%
General salary inflation	-1%	654 878	-6%
Average retirement age	-2 yrs	639 939	-8%
Average retirement age	2 yrs	754 295	9%
Withdrawal rates	-50%	842 127	21%

Experience adjustments were calculated as follows

Liabilities: (Gain) / loss	(2 687)	14 258
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25.

#### 4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

##### CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 108,0% (30 June 2011 - 116,9%).

Contributions paid recognised in the Statement of Financial Performance	354 362	541 867
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##### DEFINED CONTRIBUTION FUNDS

Council contribute to the National Fund Municipal Workers and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

National Fund Municipal Workers	75 023	73 657
SAMWU National Provident Fund	595 992	621 353
	671 015	695 011

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>5. CONSUMER DEPOSITS</b>		
Water and Electricity	29 670	21 499
<b>Total Consumer Deposits</b>	<b>29 670</b>	<b>21 499</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

<b>6. PROVISIONS</b>		
Current Portion of Post Retirement Benefits	-	28 860
Current Portion of Long-Service Provisions	-	53 163
Correction of Error - Note 40.3	-	(82 023)
<b>Total Provisions</b>	<b>-</b>	<b>-</b>

<b>7. CURRENT EMPLOYEE BENEFITS</b>		
Staff Bonuses	297 822	
Correction of Error - Note 40.4	-	278 234
Staff Leave	795 458	
Correction of Error - Note 40.4	-	482 861
Current Portion of Non-Current Provisions	125 378	82 023
Current Portion of Post Retirement Benefits - Note 4	31 668	-
Correction of Error - Note 40.4	-	28 860
Current Portion of Long-Service Provisions - Note 4	93 710	-
Correction of Error - Note 40.4		53 163
<b>Total Provisions</b>	<b>1 218 658</b>	<b>843 118</b>

The movement in current provisions are reconciled as follows:

<b>7.1 <u>Staff Bonuses</u></b>		
Balance at beginning of year	278 234	276 894
Contribution to current portion	633 243	519 591
Expenditure incurred	(613 654)	(518 251)
Balance at end of year	<b>297 822</b>	<b>278 234</b>

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

<b>7.2 <u>Staff Leave</u></b>		
Balance at beginning of year	482 861	790 047
Contribution to current portion	440 721	(88 967)
Expenditure incurred	(128 124)	(218 219)
Balance at end of year	<b>795 458</b>	<b>482 861</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>8. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	12 111 533	15 475 118
Staff Bonuses	-	278 234
Staff Leave Accrued	-	482 861
Payments received in advance	745 504	555 582
Retentions	184 727	1 289 272
Other Creditors	2 327 770	3 469 094
Deposits: Other	-	4 330
Correction of Error - Note 40.5	-	(14 071 164)
<b>Total Trade Payables</b>	<b>15 369 533</b>	<b>7 483 326</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

**9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unspent Grants	7 913 917	5 989 797
National Government Grants	6 927 480	13 933 692
Provincial Government Grants	986 438	96 660
Other Sources	-	1 620 499
Correction of Error - Note 40.6	-	(9 661 054)
<b>Less: Unpaid Grants</b>	<b>(108 851)</b>	<b>-</b>
National Government Grants	(108 851)	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Conditional Grants and Receipts</b>	<b>7 805 067</b>	<b>5 989 797</b>

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**10. UNSPENT PUBLIC CONTRIBUTIONS AND RECEIPTS**

De Beers	-	-
Correction of Error - Note 40.7	-	-
<b>Total Unspent Public Contributions and Receipts</b>	<b>-</b>	<b>-</b>

The movement in unspent public contributions are reconciled as follows:

<b>10.1 De Beers</b>		
Balance at beginning of year	-	-
Correction of Error - Note 40.7	-	1 620 499
Correction of Error - Note 40.7	-	(1 620 499)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
<b>11.</b>	<b>TAXES</b>		
<b>11.1</b>	VAT Receivable	3 389 844	3 324 914
	Correction of Error - <b>Note 40.15</b>	-	(1 410 097)
	<b>Total Taxes</b>	<u>3 389 844</u>	<u>(1 410 097)</u>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**12. SHORT-TERM LOANS**

The Municipality has no short term loans.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
13.	PROPERTY, PLANT AND EQUIPMENT		
	<a href="#">See attached sheet</a>		
	page 1		



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>13.3 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R578 924 is secured for leases as set out in Note 2.		
<b>14. INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>502 059</b>	<b>502 059</b>
Cost	502 059	-
Correction of Error - Note 40.11	-	502 059
Accumulated Depreciation	-	-
Acquisitions	-	-
Depreciation for the year	-	-
<b>Net Carrying amount at 30 June</b>	<b>502 059</b>	<b>502 059</b>
Cost	502 059	502 059
Accumulated Depreciation	-	-
<b>15. INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>204 925</b>	<b>232 400</b>
Cost	262 405	258 905
Accumulated Amortisation	(57 480)	(26 505)
Acquisitions	-	3 500
Amortisation	(88 456)	(30 975)
<b>Net Carrying amount at 30 June</b>	<b>116 469</b>	<b>204 925</b>
Cost	262 405	262 405
Accumulated Amortisation	(145 936)	(57 480)
No intangible asset were assed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There age no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		
<b>16. INVENTORY</b>		
Consumable Stores - Stationery and materials - At cost	28 977	70 607
Correction of Error - Note 40.12	23 450	(33 130)
<b>Total Inventory</b>	<b>52 427</b>	<b>37 477</b>
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
Consumable stores materials written down due to losses as identified during the annual stores counts.	<b>71 156</b>	<b>70 695</b>
No inventory assets were pledged as security for liabilities.		

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>17. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	3 655 580	3 070 484
Water	6 412 326	5 007 766
Refuse	2 929 663	2 384 922
Sewerage	1 363 764	1 027 980
Other Arrears	9 106 992	6 526 102
Correction of Error - Note 40.13	-	2 033 882
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>23 468 327</b>	<b>20 051 135</b>
Provision for Impairments	(20 473 828)	(16 522 085)
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>2 994 499</b>	<b>3 529 051</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

**(Electricity): Ageing**

Current (0 - 30 days)	237 174	181 605
31 - 60 Days	177 739	154 933
61 - 90 Days	157 790	155 060
+ 90 Days	3 082 876	2 578 886
Correction of Error - Note 40.13	-	-
<b>Total</b>	<b>3 655 580</b>	<b>3 070 484</b>

**(Water): Ageing**

Current (0 - 30 days)	248 405	261 055
31 - 60 Days	227 001	218 819
61 - 90 Days	276 237	289 752
+ 90 Days	5 660 684	4 238 139
Correction of Error - Note 40.13	-	0
<b>Total</b>	<b>6 412 326</b>	<b>5 007 766</b>

**(Refuse): Ageing**

Current (0 - 30 days)	82 236	115 508
31 - 60 Days	128 658	105 612
61 - 90 Days	122 564	99 535
+ 90 Days	2 596 206	2 064 267
<b>Total</b>	<b>2 929 663</b>	<b>2 384 922</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	70 657	78 816
31 - 60 Days	82 863	67 587
61 - 90 Days	78 984	61 407
+ 90 Days	1 131 260	820 170
<b>Total</b>	<b>1 363 764</b>	<b>1 027 980</b>

**(Other): Ageing**

Current (0 - 30 days)	78 581	65 420
31 - 60 Days	79 139	64 036
61 - 90 Days	77 473	63 309
+ 90 Days	8 871 798	6 333 337
Correction of Error - Note 40.13	-	4 854
<b>Total</b>	<b>9 106 992</b>	<b>6 526 102</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	717 053	702 404
31 - 60 Days	695 401	610 987
61 - 90 Days	713 048	669 063
+ 90 Days	21 342 824	16 034 799
Correction of Error - Note 40.13	-	2 033 882
<b>Total</b>	<b>23 468 327</b>	<b>20 051 135</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	16 522 085	11 326 681
Contribution to provision	3 466 442	1 996 301
VAT on provision	485 302	-
Bad Debts written off against provision	-	-
Reversal of provision	-	-
Correction of Error - Note 40.13	-	3 199 103
Balance at end of year	<b>20 473 828</b>	<b>16 522 085</b>

The total amount of this provision is R20 473 828 and consist of

Services	13 035 442	10 232 428
Other Debtors	7 438 386	6 289 656
<b>Total Provision for Bad Debts on Receivables from exchange transactions</b>	<b>20 473 828</b>	<b>16 522 085</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Taxes - Rates	7 060 268	5 078 773
Other Receivables	123 429	3 357 500
Correction of Error - Note 40.14	-	2 560 033
	7 183 697	10 996 306
<b><u>Less:</u></b> Provision for bad debts	<b>(5 063 064)</b>	<b>(3 676 422)</b>
<b>Total Receivables from non-exchange transactions</b>	<b>2 120 632</b>	<b>7 319 884</b>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**(Rates): Ageing**

Current (0 - 30 days)	131 524	121 076
31 - 60 Days	125 611	109 812
61 - 90 Days	117 854	108 144
+ 90 Days	6 685 278	4 739 741
<b>Total</b>	<b>7 060 268</b>	<b>5 078 773</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b><u>Reconciliation of Provision for Bad Debts</u></b>		
Balance at beginning of year	3 676 422	1 760 652
Contribution to provision	1 386 643	1 146 374
Bad Debts written off against provision	-	-
Reversal of provision	-	-
Correction of Error - Note 40.14	-	769 395
Balance at end of year	<b>5 063 065</b>	<b>3 676 422</b>

The total amount of this provision is R5 063 065 and consist of

Taxes	5 063 065	3 676 422
Other		
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	<b>5 063 065</b>	<b>3 676 422</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 19. OPERATING LEASE ARRANGEMENTS

### 19.1 The Municipality as Lessor

Operating Lease Asset	2 635	2 857
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#### Reconciliation

Balance at the beginning of the year	2 857	2 659
Movement during the year	(223)	198
Balance at the end of the year	<b>2 634</b>	<b>2 857</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	15 410	14 813
1 to 5 Years	12 260	27 670
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>27 670</b>	<b>42 483</b>

Operating Leases relate to Property owned by the municipality with lease terms of between 27 to 33 (2012: 12 to 45) months, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R223 (2012: Increase of R198) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises to any third party without the prior written consent of the lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (ii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>20. BANK ACCOUNTS</b>		
<b>20.1 <u>Cash and Cash Equivalents</u></b>		
Call Investments Deposits	641 690	978 293
<b>Total Cash and Cash Equivalents - Assets</b>	<b>641 690</b>	<b>978 293</b>
<b>20.2 <u>Liabilities</u></b>		
Current Accounts	(3 967 366)	(451 615)
Correction of Error - <b>Note 40.9</b>	-	(3 477 666)
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>(3 967 366)</b>	<b>(3 929 281)</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R606 712 are held to fund the Unspent Conditional Grants (2012: R978 304).

The municipality has the following bank accounts:

**Current Accounts**

First National Bank - Account Number 620 2250 1440 (Primary Bank Account):	(3 967 366)	(451 615)
	<b>(3 967 366)</b>	<b>(451 615)</b>

**Call Investment Deposits**

First National Bank - Account Number 710 6661 2452 (Project Account):	-	-
First National Bank - Account Number 62012466018:	1 023	111 514
First National Bank - Account Number 62182751729:	47 114	81 186
First National Bank - Account Number 62117682791:	154 406	365 900
First National Bank - Account Number 62117684606:	(849)	1 039
First National Bank - Account Number 74282299369:	215 507	205 246
First National Bank - Account Number 71053360915:	106 314	101 067
First National Bank - Account Number 71059354764:	118 185	112 352
Momentum 3D Gearing Plan - Account Number 1001327535:	(11)	(11)
	<b>641 689</b>	<b>978 293</b>

Details of bank accounts are as follow:

***First National Bank - Account Number 620 2250 1440 (Primary Bank Account):***

Cash book balance at beginning of year	(452 783)	(1 138 226)
Cash book balance at end of year	(3 967 366)	(451 615)

Bank statement balance at beginning of year	704 760	1 214 734
Bank statement balance at end of year	73 215	704 760

***First National Bank - Account Number 710 6661 2452 (Project Account):***

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-

Bank statement balance at beginning of year	-	178
Bank statement balance at end of year	-	-

***First National Bank - Account Number 62012466018:***

Cash book balance at beginning of year	111 514	339 718
Cash book balance at end of year	1 023	111 514

Bank statement balance at beginning of year	111 514	339 718
Bank statement balance at end of year	1 023	111 514

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>First National Bank - Account Number 62182751729:</b>		
Cash book balance at beginning of year	81 186	3 478 473
Cash book balance at end of year	47 114	81 186
Bank statement balance at beginning of year	81 186	3 478 473
Bank statement balance at end of year	47 114	81 186
<b>First National Bank - Account Number 62117682791:</b>		
Cash book balance at beginning of year	365 900	97 930
Cash book balance at end of year	154 406	365 900
Bank statement balance at beginning of year	365 900	97 930
Bank statement balance at end of year	154 406	365 900
<b>First National Bank - Account Number 62117684606:</b>		
Cash book balance at beginning of year	1 039	415
Cash book balance at end of year	(849)	1 039
Bank statement balance at beginning of year	1 039	415
Bank statement balance at end of year	(849)	1 039
<b>First National Bank - Account Number 74282299369:</b>		
Cash book balance at beginning of year	205 246	194 549
Cash book balance at end of year	215 507	205 246
Bank statement balance at beginning of year	205 246	194 549
Bank statement balance at end of year	215 507	205 246
<b>First National Bank - Account Number 71053360915:</b>		
Cash book balance at beginning of year	101 067	95 972
Cash book balance at end of year	106 314	101 067
Bank statement balance at beginning of year	101 067	95 972
Bank statement balance at end of year	106 314	101 067
<b>First National Bank - Account Number 71059354764:</b>		
Cash book balance at beginning of year	112 352	106 689
Cash book balance at end of year	118 185	112 352
Bank statement balance at beginning of year	112 352	106 689
Bank statement balance at end of year	118 185	112 352
<b>Momentum 3D Gearing Plan - Account Number 1001327535:</b>		
Cash book balance at beginning of year	(11)	(11)
Cash book balance at end of year	(11)	(11)
Bank statement balance at beginning of year	(11)	(11)
Bank statement balance at end of year	(11)	(11)

21. PROPERTY RATES

<b><u>Actual</u></b>		
Rateable Land and Buildings	3 589 765	3 223 653
<u>Less:</u> Rebates	(782 541)	(737 936)
<b>Total Assessment Rates</b>	<b>2 807 223</b>	<b>2 485 717</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b><u>Valuations - 1 July 2012</u></b>		
<b>Rateable Land and Buildings</b>	980 107 523	980 035 000
Residential Property	187 830 346	179 666 000
Commercial Property	24 087 336	24 119 000
Industrial Property	21 500	22 000
Public Benefits Organisations	14 456 900	14 457 000
Agricultural Purposes	427 661 500	427 662 000
State - National/ Provincial Services	20 017 500	20 018 000
Municipal Property	306 032 441	314 091 000
<b>Total Assessment Rates</b>	<b>980 107 523</b>	<b>980 035 000</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

**Basic Rate**

Residential	1.059c/R
Commercial	1.58850c/R
Agricultural	0.0713c/R
State	2.6475c/R
Industrial	1.58850c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	- The first R15 000 on the valuation is exempted.
Public Benefit Organisations	-100%
State	- 30%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**22. GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional**

Equitable Share	10 678 000	10 784 000
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**Conditional**

Grants and Donations	21 412 306	19 301 801
Correction of Error - Note 40.18	-	(4 339 225)

**Total Government Grants and Subsidies**

<b>32 090 306</b>	<b>30 085 801</b>
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Government Grants and Subsidies - Operating	20 383 236	14 142 068
Government Grants and Subsidies - Capital	11 707 070	15 943 732

**Total Government Grants and Subsidies**

<b>32 090 306</b>	<b>30 085 800</b>
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KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	10 678 000	10 784 000
Budget & Treasury	12 853 289	1 898 692
Corporate Services	108 070	639 421
Planning & Development	199 665	196 295
Road Transport	6 824 714	14 530 831
Water	-	708 015
Electricity	1 426 568	1 328 547
<b>Total Government Grants and Subsidies</b>	<b>32 090 306</b>	<b>30 085 801</b>

**22.1 Equitable Share**

Opening balance	-	-
Grants received	10 678 000	10 784 000
Conditions met - Operating	(10 678 000)	(10 784 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**22.2 Local Government Financial Management Grant (FMG)**

Opening balance	(53 021)	430 350
Correction of Error - Note 40.6	-	(541 389)
Grants received	1 500 000	1 450 000
Conditions met - Operating	(1 555 829)	(1 391 982)
Conditions met - Capital	-	-
Conditions still to be met	(108 851)	(53 021)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**22.3 Municipal Systems Improvement Grant (MSIG)**

Opening balance	580 355	141 703
Correction of Error - Note 40.6	-	(134 633)
Grants received	800 000	790 000
Conditions met - Operating	(1 007 677)	-
Conditions met - Capital	-	(216 715)
Conditions still to be met	372 678	580 355

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**22.4 Municipal Infrastructure Grant (MIG)**

Opening balance	4 975 899	8 126 643
Correction of Error - Note 40.6	-	(5 102 749)
Grants received	11 686 000	9 634 000
Conditions met - Operating	-	(109 173)
Conditions met - Capital	(10 280 502)	(7 572 822)
Conditions still to be met	6 381 397	4 975 899

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>22.5 <u>Expanded Public Works Programme Grant</u></b>		
Opening balance	-	-
Correction of Error - Note 40.6	-	-
Grants received	-	1 891 830
Conditions met - Operating	-	(880 742)
Conditions met - Capital	-	(1 011 088)
Conditions still to be met	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for repairs and maintenance of infrastructure. No funds have been withheld.

<b>22.6 <u>Department Water Affairs and Environment (DWAF)</u></b>		
Opening balance	150 643	-
Correction of Error - Note 40.6	-	150 643
Grants received	-	708 035
Conditions met - Operating	(9 281)	-
Conditions met - Capital	-	(708 035)
Conditions still to be met	141 362	150 643

The grant was used for the refurbishment of water infrastructure.

<b>22.7 <u>Department Minerals and Energy (DME)</u></b>		
Opening balance	99 973	3 980 235
Correction of Error - Note 40.6	-	(2 551 715)
Grants received	1 500 000	-
Conditions met - Operating	-	-
Conditions met - Capital	(1 426 568)	(1 328 547)
Conditions still to be met	173 405	99 973

The grant was used to promote rural development and upgrade electricity infrastructure.

<b>22.8 <u>Department Cooperative Government, Housing &amp; Traditional Affairs (COHGTA)</u></b>		
Opening balance	(188 830)	2 618 644
Correction of Error - Note 40.6	-	2 404 256
Grants received	5 828 987	428 654
Conditions met - Operating	(5 135 459)	(177 753)
Conditions met - Capital	-	(5 462 632)
Conditions still to be met	504 697	(188 830)

The grant was used for Lepelsfontein and Klipfontein Housing.

<b>22.9 <u>Project Nala</u></b>		
Opening balance	236 450	246 749
Correction of Error - Note 40.6	-	(251 302)
Grants received	-	400 000
Conditions met - Operating	-	(158 997)
Conditions met - Capital	-	-
Conditions still to be met	236 450	236 450

The grant was used for job creation.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>22.10 <u>Department Finance, Economic Development &amp; Tourism</u></b>		
Opening balance	50 000	-
Grants received	-	50 000
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	50 000	50 000

The grant will be used for the Power Flower Run.

<b>22.11 <u>Library</u></b>		
Opening balance	(129 431)	247 421
Correction of Error - Note 40.6	-	(129 430)
Grants received	237 500	392 000
Conditions met - Operating	(108 070)	(639 421)
Conditions met - Capital	-	-
Conditions still to be met	(0)	(129 431)

The grant was used to finance library activities.

<b>22.12 <u>Tourism</u></b>		
Opening balance	75 703	-
Correction of Error - Note 40.6	-	75 703
Grants received	53 000	-
Conditions met - Operating	(105 927)	-
Conditions met - Capital	-	-
Conditions still to be met	22 776	75 703

The grant was used for tourism activities.

<b>22.13 <u>Department Social Services</u></b>		
Opening balance	482	-
Correction of Error - Note 40.6	-	482
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	482	482

The grant was used for various projects.

<b>22.14 <u>Department Sport, Arts and Culture</u></b>		
Opening balance	-	123 991
Correction of Error - Note 40.6	-	(2 151 995)
Grants received	100 000	2 543 995
Conditions met - Operating	(93 738)	-
Conditions met - Capital	-	(515 991)
Conditions still to be met	6 262	-

The grant was used for various projects.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>22.15 <u>Namakwa DM</u></b>		
Opening balance	167 166	-
Correction of Error - Note 40.6	-	167 166
Grants received	1 522 089	-
Conditions met - Operating	(1 689 254)	-
Conditions met - Capital	-	-
Conditions still to be met	-	167 166
The grant was used for various projects.		
<b>22.16 <u>Drought Relief</u></b>		
Opening balance	24 409	-
Correction of Error - Note 40.6	-	24 409
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	24 409	24 409
The grant was used for drought relief.		
<b>22.17 <u>Total Grants</u></b>		
Opening balance	5 989 796	15 915 736
Correction of Error - Note 40.6	-	(8 040 555)
Grants received	33 905 576	29 072 514
Conditions met - Operating	(20 383 236)	(14 142 068)
Conditions met - Capital	(11 707 070)	(16 815 830)
Conditions still to be met/(Grant expenditure to be recovered)	7 805 066	5 989 796
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	7 913 918	6 361 079
Unpaid Conditional Government Grants and Receipts	(108 851)	(371 283)
<b>Total</b>	<b>7 805 067</b>	<b>5 989 796</b>
<b>23. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
De Beers	473 515	-
Correction of Error - Note 40.18	-	1 620 499
<b>Total Public Contributions and Donations</b>	<b>473 515</b>	<b>1 620 499</b>
<b>24. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT</b>		
Department of Roads and Public Works	346 617	-
<b>Total Contributed Property, Plant and Equipment</b>	<b>346 617</b>	<b>-</b>
<b>25. SERVICE CHARGES</b>		
Electricity	3 736 592	3 236 359
Water	3 039 086	2 752 288
Refuse Removal	1 455 890	1 356 708
Sewerage and Sanitation Charges	1 024 140	943 904
Other	381 806	-
Correction of Error - Note 40.13	-	4 854
	9 637 515	8 294 113
<u>Less:</u> Income Forgone	(2 652 974)	(2 429 537)
<b>Total Service Charges</b>	<b>6 984 540</b>	<b>5 864 576</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2013 R	2012 R
<b>26. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	158 928	137 070
Other rentals	-	36 394
Correction of Error - Note 40.18	-	24 527
<b>Total Rental of Facilities and Equipment</b>	<b>158 928</b>	<b>197 991</b>
<b>27. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	87 603	6 163
Financial assets	-	185 469
<b>Total Interest Earned - External Investments</b>	<b>87 603</b>	<b>191 632</b>
<b>28. INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Receivables	2 089 763	1 294 782
<b>Total Interest Earned - Outstanding Receivables</b>	<b>2 089 763</b>	<b>1 294 782</b>
<b>29. OTHER INCOME</b>		
Fees Building plans	7 583	7 959
Fees Caravan Park	-	24 527
Connection Fees	17 740	11 013
Commission	5 027	-
Motor Vehicle Numberplates	19 118	15 132
Opening of graves	6 086	5 177
Photostat, Copies and Faxes	18 157	20 895
Telephone Cost Recover	13 311	725
Tender Documents	2 807	5 790
Training	96 650	-
Valuation Certificates	6 522	5 825
Royalties	253 711	-
Sale of Erven	19 561	-
Search Fees	50	-
Sundry Income	616 623	238 464
Correction of Error - Note 40.18	-	(24 527)
<b>Total Other Income</b>	<b>1 082 947</b>	<b>310 980</b>
<b>30. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	8 906 748	8 537 004
Employee Related Costs - Contributions for UIF and Pensions	1 168 032	1 423 096
Employee Related Costs - Contributions for Medical Aids	213 084	-
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 258 595	611 620
Housing Benefits and Allowances	136 257	108 228
Overtime Payments	478 479	339 648
Bonuses	633 243	519 591
Provision for leave	440 721	(88 967)
Contribution to provision - Long Service Awards - Note 4	79 722	57 321
Contribution to provision - Post Retirement Medical - Note 4	93 260	79 641
Correction of Error - Note 40.18	-	761 331
	13 408 139	12 348 513
<b>Less:</b> Employee Costs allocated elsewhere	-	-
<b>Total Employee Related Costs</b>	<b>13 408 139</b>	<b>12 348 513</b>

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<i>Remuneration of the Municipal Manager - Mr JG Cloete (Current</i>		
Annual Remuneration	275 562	-
Car Allowance	48 444	-
Telephone allowance	4 500	-
Contributions to UIF, Medical and Pension Funds	892	-
<b>Total</b>	<b>329 398</b>	<b>-</b>
<i>Remuneration of the Municipal Manager - Mr G Maarman (Former</i>		
Annual Remuneration	-	203 141
Travelling Allowance	-	46 203
Termination Benefits	-	85 807
Contributions to UIF, Medical and Pension Funds	-	3 520
<b>Total</b>	<b>-</b>	<b>338 672</b>
<i>Remuneration of the Chief Financial Officer - Mr RC Beukes</i>		
Annual Remuneration	231 584	73 420
Car Allowance	66 000	29 140
Telephone allowance	9 000	-
Contributions to UIF, Medical and Pension Funds	56 210	4 768
<b>Total</b>	<b>362 794</b>	<b>107 328</b>
<i>Remuneration of Manager: Corporate Services - Mrs DC Beukes</i>		
Annual Remuneration	231 583	238 610
Car Allowance	66 000	75 000
Telephone allowance	9 000	-
Contributions - UIF, Medical, Pension	15 956	23 618
<b>Total</b>	<b>322 538</b>	<b>337 228</b>
<i>Remuneration of Manager: Economic Development Services - Mr IE Jenne</i>		
Annual Remuneration	231 584	146 840
Car Allowance	66 000	50 000
Telephone allowance	9 000	-
Contributions - UIF, Medical, Pension	1 713	3 149
<b>Total</b>	<b>308 297</b>	<b>199 989</b>
<i>Remuneration of Manager: Technical Services - Mr FA Links</i>		
Annual Remuneration	231 583	238 610
Car Allowance	66 000	102 194
Telephone allowance	9 000	-
Contributions - UIF, Medical, Pension	69 087	35 759
<b>Total</b>	<b>375 670</b>	<b>376 564</b>
<b>31. REMUNERATION OF COUNCILLORS</b>		
EA Stewens	223 212	208 900
PJ Willems	195 980	183 632
HG Links	216 333	213 144
MJ Cloete	737 354	704 827
SC Nero	208 986	207 192
MR Klaase	218 566	210 025
MS Cardinal	230 828	198 911
<b>Total Councillors' Remuneration</b>	<b>2 031 259</b>	<b>1 926 631</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	414 746	145 207	88 416	88 985	737 354
Deputy-Mayor	-	-	-	-	-
Speaker	-	-	-	-	-
Executive Committee Members	-	-	-	-	-
Councillors	759 284	261 373	172 653	100 596	1 293 905
<b>Total Councillors' Remuneration</b>	<b>1 174 030</b>	<b>406 579</b>	<b>261 069</b>	<b>189 581</b>	<b>2 031 259</b>

***In-kind Benefits***

The Councillor occupying the position of Mayor/Speaker of the municipality serves in a full-time capacity and is provided with office accommodation and secretarial support at the expense of the municipality in order to enable the councillor to perform his/her official duties.

***Certification by the Municipal Manager***

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....  
**Signed: Municipal Manager**

**32. DEBT IMPAIRMENT**

Receivables from exchange transactions - Note 17	3 951 743	2 346 698
Receivables from non-exchange transactions - Note 18	1 386 643	994 017
	<u>5 338 387</u>	<u>3 340 716</u>
<b>Less:</b> VAT Portion on Debt Impairment	(485 302)	(350 397)
<b>Total Debt Impairment</b>	<b><u>4 853 085</u></b>	<b><u>2 990 318</u></b>

**33. DEPRECIATION AND AMORTISATION**

Property, plant and equipment	8 374 780	8 005 890
Intangible assets	88 456	30 975
<b>Total Depreciation and Amortisation</b>	<b><u>7 565 537</u></b>	<b><u>8 036 865</u></b>

**34. FINANCE COSTS**

Non-current Provisions	528 657	-
Creditors	33 138	172 301
Finance Leases	96 842	87 577
Loans and Payables at amortised cost	-	242 662
Non-current Employee Benefits	113 708	-
Correction of Error - Note 40.18		501 843
<b>Total Finance Costs</b>	<b><u>772 345</u></b>	<b><u>1 004 383</u></b>

**35. BULK PURCHASES**

Electricity	7 000 374	7 979 043
Water	237 021	356 026
Correction of Error - Note 40.18	-	(3 202 607)
<b>Total Bulk Purchases</b>	<b><u>7 237 394</u></b>	<b><u>5 132 462</u></b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>36. OTHER OPERATING GRANT EXPENDITURE</b>		
Operating Grant Expenditure per Vote		
Budget & Treasury	2 593 400	3 075 210
Corporate Services	328 116	206 009
Planning & Development	193 603	404 152
Road Transport	5 251 709	2 943 309
Electricity	546 684	-
Total Operating Grant Expenditure	<u>8 913 512</u>	<u>6 628 680</u>
<b>37. GENERAL EXPENSES</b>		
Administration Costs	394 427	41 198
Advertising	1 380	19 483
Audit Fees	878 156	804 780
Bank Charges	141 620	171 824
Chemicals and Poison	1 376	3 461
Desalting	52 851	-
Electricity	-	1 700
Entertainment	-	42 741
Expenditure incurred from Grants	-	767 785
Fuel and Oil	728 879	471 462
Hiring of Equipment	-	1 200
Insurance	160 051	846 243
Legal Costs	57 951	5 698
Levies: SALGA	403 242	278 648
Licensing	36 635	42 417
Materials and Stocks	31 078	29 015
Opening of Graves	20 279	-
Postage and Telegrams	-	47 501
Printing and Stationery	242 956	277 649
Public Participation	15 779	-
Public Receptions	2 993	-
Refreshments	13 357	23 227
Rent - Plant and Vehicles	1 464	-
Special Projects/Programmes	85 961	-
Subsistence and Travelling	-	1 014 043
Telephone Cost	443 913	426 566
Tourism Strategy	72 800	-
Training Costs	(5 473)	17 703
Uniforms and Protective Clothing	-	18 309
Ward Committee Meetings	176 205	-
Other	4 390	17 033
Correction of Error - <b>Note</b>	-	(1 865 537)
Total General Expenses	<u>3 962 266</u>	<u>3 504 149</u>
<b>38. GAIN/ (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	(23 186)	-
Intangible assets	-	-
Investment property	-	-
Biological assets	-	-
Other financial assets	-	-
Total Gain/ (Loss) on Sale of Assets	<u>(23 186)</u>	<u>-</u>
<b>39. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS</b>		
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
Biological Assets	-	-
Other Financial Assets	-	-
Total (Impairment Loss)/ Reversal of Impairment Loss	<u>-</u>	<u>-</u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>40. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
<b>40.1 Non-Current Provisions</b>		
<b>Balance previously reported</b>	-	37 260 183
Provision for Long-Service Awards disclosed under Non-Current Employee Benefits - Note 3	-	(537 512)
Derecognise Provision for Rehabilitation of Landfill-sites previously disclosed - Note 3	-	(36 722 671)
Balance on 1 July 2011	-	(33 520 063)
Interest - 2011/2012	-	(3 202 607)
Recognise Provision for Rehabilitation of Landfill-sites - Note 3	-	8 810 953
Balance on 1 July 2011	-	8 312 220
Interest - 2011/2012	-	498 733
<b>Restated Balance</b>	-	<b>8 810 953</b>
Provision for Long-Service Awards previously disclosed incorrectly under Non-Current Provisions and recalculation of Provision for Rehabilitation of Landfill-sites.		
<b>40.2 Non-Current Employee Benefits</b>		
<b>Balance previously reported</b>	-	947 197
Provision for Long-Service Awards previously disclosed under Non-Current Provisions - Note 4	-	537 512
<b>Restated Balance</b>	-	<b>1 484 709</b>
Provision for Long-Service Awards previously disclosed incorrectly under Non-Current Provisions.		
<b>40.3 Provisions</b>		
<b>Balance previously reported</b>	-	82 023
Current Portion of Post Retirement Benefits - Note 6	-	(28 860)
Current Portion of Long-Service Provisions - Note 6	-	(53 163)
<b>Restated Balance</b>	-	-
Current Portion of Post-Retirement Benefits and Long-Service Awards previously disclosed incorrectly under Provisions.		
<b>40.4 Current Employee Benefits</b>		
<b>Balance previously reported</b>	-	-
Current Portion of Post Retirement Benefits - Note 7	-	28 860
Current Portion of Long-Service Provisions - Note 7	-	53 163
Staff Bonuses - Note 7	-	278 234
Staff Leave - Note 7	-	482 861
<b>Restated Balance</b>	-	<b>843 118</b>
Current Portion of Post-Retirement Benefits and Long-Service Awards previously disclosed incorrectly under Provisions. Staff Bonuses and Staff Leave previously disclosed incorrectly under Payables from Exchange Transactions.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>40.5 Payables from Exchange Transactions</b>		
Balance previously reported	-	21 554 489
Staff Bonuses - Note 8	-	(278 234)
Staff Leave - Note 8	-	(482 861)
Correction of Trade Creditors - Note 8	-	(12 077 372)
Correction of Sundry Creditors - Note 8	-	(1 358 863)
Correction of Retentions - Note 8	-	101 114
Correction of Deposits: Other - Note 8	-	25 052
<b>Restated Balance</b>	<b>-</b>	<b>7 483 325</b>

Staff Bonusses and Staff Leave disclosed under Current Employee Benefits. Correction of trade creditors reconciliations, suspense accounts and deposit accounts.

<b>40.6 Unspent Conditional Government Grants and Receipts</b>		
Balance previously reported		15 650 852
Other Grants: De Beers transferred to Unspent Conditional Public Contributions - Note 9	-	(1 620 499)
Correction of Unspent Grants - Note 9	-	(8 040 555)
<b>Restated Balance</b>	<b>-</b>	<b>5 989 798</b>

Unspent grant from De Beers previously disclosed under Unspent Conditional Government Grants and Receipts and expenditure on grants not allocated correctly in prior years.

<b>40.7 Unspent Conditional Public Contributions and Receipts</b>		
Balance previously reported	-	-
Other Grants: De Beers transferred from Unspent Conditional Government Grants - Note 10	-	1 620 499
Public Contribution from De Beers not recognised as income in prior year - Note 10	-	(1 620 499)
<b>Restated Balance</b>	<b>-</b>	<b>-</b>

Public Contribution from De Beers previously disclosed under Unspent Conditional Government Grants and Receipts and not recognised as income.

<b>40.8 Long-term Liabilities</b>		
Balance previously reported	-	370 701
Finance Leases not recognised in prior years - Note 2	-	18 877
Finance Leases recognised incorrectly in prior years - Note 2	-	(14 209)
Redemption before 1 July 2011 recognised incorrectly in prior years - Note 2	-	2 982
Correction of Redemption before 1 July 2011 - Note 2	-	(6 138)
Redemption for 2011/2012 recognised incorrectly in prior years - Note 2	-	3 593
Correction of Redemption for 2011/2012 - Note 2	-	(6 919)
Finance Cost before 1 July 2011 recognised incorrectly in prior years - Note 2	-	-
Correction of Finance Cost before 1 July 2011 - Note 2	-	5 813
Finance Cost for 2011/2012 recognised incorrectly in prior years - Note 2	-	(1 262)
Correction of Finance Cost for 2011/2012 - Note 2	-	4 372
Correction of Current Portion of Finance Leases - Note 40.16	-	(3 337)
<b>Restated Balance</b>	<b>-</b>	<b>374 472</b>

Finance Leases on Modems and Laptops not recognised in prior years and correction of finance leases recognised previously.

<b>40.9 Cash and Cash Equivalents (Overdraft)</b>		
Balance previously reported	-	451 615
Correction of prior year bank reconciliations - Note 22.2	-	3 477 666
<b>Restated Balance</b>	<b>-</b>	<b>3 929 281</b>

Correction of prior year bank reconciliations.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>40.10 Property, Plant and Equipment</b>		
Balance previously reported	-	126 295 325
Cost	-	(22 417 105)
Infrastructure Assets recognised incorrectly in prior years due to incorrect applying of Directive 7 - Note 13.2	-	(36 977 135)
Recognise Infrastructure Assets by applying Directive 7 - Note 13.2	-	15 057 421
Lease Assets recognised incorrectly in prior years - Note 13.2	-	4 668
Land and Buildings transferred to Investment Properties - Note 13.2	-	(502 059)
Accumulated Depreciation	-	(1 384 535)
Derecognise Accumulated Depreciation on Infrastructure Assets due to incorrect applying of Directive 7 - Note 13.2	-	711 718
Recognise Backlog Depreciation on Infrastructure Assets prior to 1 July 2011 - Note 13.2	-	(1 365 588)
Recognise Backlog Depreciation on Infrastructure Assets for 2011/2012 - Note 13.2	-	(730 115)
Accumulated Depreciation on Lease Assets recognised incorrectly prior to 1 July 2011 - Note 13.2	-	(241)
Depreciation on Lease Assets not recognised in 2011/2012 - Note 13.2	-	(310)
<b>Restated Balance</b>	<b>-</b>	<b>102 493 685</b>
Correction of Infrastructure Assets and Finance Leases recognised incorrectly in prior years.		
<b>40.11 Investment Properties</b>		
Balance previously reported	-	-
Land with undetermined use previously recognised under Property, Plant and Equipment - Note 14	-	502 059
<b>Restated Balance</b>	<b>-</b>	<b>502 059</b>
Land with undetermined use previously recognised as Property, Plant and Equipment.		
<b>40.12 Inventory</b>		
Balance previously reported	-	70 607
Correction of Inventory: Stationary previously disclosed incorrectly - Note 16	-	(33 130)
<b>Restated Balance</b>	<b>-</b>	<b>37 478</b>
Correction of Inventory: Stationary.		
<b>40.13 Receivables from Exchange Transactions</b>		
Balance previously reported	-	4 694 272
Correction of Consumer Accounts: Water - Note 17	-	0
Correction of Consumer Accounts: Other - Note 17	-	4 854
Derecognise Provision for Debt Impairment recognised before 1 July 2011 - Note 17	-	11 326 681
Derecognise Provision for Debt Impairment for 2011/2012 - Note 17	-	1 996 301
Recognise Provision for Debt Impairment before 1 July 2011 - Note 17	-	(13 668 849)
Recognise Provision for Debt Impairment for 2011/2012 - Note 17	-	(2 853 236)
Recognise VAT on Provision for Debt Impairment before 1 July 2011 - Note 17	-	1 678 631
Recognise VAT on Provision for Debt Impairment for 2011/2012 - Note 17	-	350 397
<b>Restated Balance</b>	<b>-</b>	<b>3 529 051</b>
Correction of Consumer Accounts and Provision for Debt Impairment.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>40.14 Receivables from Non-Exchange Transactions</b>		
Balance previously reported	-	5 529 246
Correction of Other Debtors - Note 18	-	2 560 033
Derecognise Provision for Debt Impairment recognised before 1 July 2011 - Note 18	-	1 760 652
Derecognise Provision for Debt Impairment for 2011/2012 - Note 18	-	1 146 374
Recognise Provision for Debt Impairment before 1 July 2011 - Note 18	-	(2 682 404)
Recognise Provision for Debt Impairment for 2011/2012 - Note 18	-	(994 017)
<b>Restated Balance</b>	<b>-</b>	<b>7 319 884</b>
Correction of Other Debtors due to suspense accounts not reconciled in prior years and Provision for Debt Impairment.		
<b>40.15 Taxes</b>		
Balance previously reported	-	3 324 914
Correction of VAT Control Accounts - Note 11	-	(1 410 097)
<b>Restated Balance</b>	<b>-</b>	<b>1 914 817</b>
Correction of VAT Control Accounts		
<b>40.16 Current Portion of Long-term Liabilities</b>		
Balance previously reported		203 889
Correction of Current Portion of Finance Leases - Note 2		3 337
<b>Restated Balance</b>	<b>-</b>	<b>207 226</b>
Correction of Current Portion of Finance Leases.		
<b>40.17 Accumulated Surplus/(Deficit) - 1 July 2011</b>		
Derecognition of Provision for Rehabilitation of Landfill-sites previously recognised - Note 40.1	-	33 520 063
Recognition of Provision for Rehabilitation of Landfill-sites - Note 40.1	-	(8 312 220)
Correction of Payables from Exchange Transactions - Note 40.8	-	13 310 069
Correction of Unspent Conditional Government Grants and Receipts - Note 40.8	-	12 379 780
Finance Lease not recognise in prior years - Note 40.8	-	(7 325)
Correction of prior year bank reconciliations - Note 40.9	-	(3 477 666)
Items of Property, Plant and Equipment recognised incorrectly prior years - Note 40.10	-	(21 915 046)
Accumulated Depreciation recognised incorrectly in prior years - Note 40.10	-	(654 110)
Correction of Inventory: Stationary previously disclosed incorrectly - Note 40.11	-	(33 130)
Correction of Provision Debt Impairment on Receivables from Exchange Transactions - Note 40.13	-	(1 170 075)
Correction of Other Debtors - Note 40.14	-	2 560 033
Correction of Provision Debt Impairment on Receivables from Non-Exchange Transactions - Note 40.14	-	(921 752)
Correction of VAT Control Accounts - Note 40.15	-	(1 410 097)
<b>Total</b>	<b>-</b>	<b>23 868 524</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 40.18 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years and reclassification of votes:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Property taxes		2 485 717	-	2 485 717
Government Grants and Subsidies		34 425 026	(4 339 225)	30 085 801
Public Contributions and Donations		-	1 620 499	1 620 499
Contributed Property, Plant and Equipment		-	-	-
Fines		1 145	-	1 145
Third Party Payments		-	-	-
Actuarial Gains		-	-	-
Other Revenue from non-exchange transactions		-	-	-
Property Rates - penalties imposed and collection charges		527 847	-	527 847
Service Charges		8 289 259	(2 424 683)	5 864 576
Water Services Authority Contribution		-	-	-
Rental of Facilities and Equipment		173 464	24 527	197 991
Interest Earned - external investments		191 632	-	191 632
Interest Earned - outstanding receivables		1 294 782	-	1 294 782
Licences and Permits		805	-	805
Income for Agency Services		363 759	-	363 759
Other Income		335 506	(24 527)	310 980
Unamortised Discount - Interest		-	-	-
Total		<u>48 088 943</u>	<u>(5 143 409)</u>	<u>42 945 534</u>
<b>Expenditure</b>				
Employee related costs		(11 587 182)	(761 331)	(12 348 513)
Remuneration of Councillors		(1 650 756)	(275 875)	(1 926 631)
Debt Impairment		(3 142 675)	152 357	(2 990 318)
Collection Costs		-	-	-
Depreciation and Amortisation		(7 306 440)	(730 425)	(8 036 865)
Repairs and Maintenance		(3 566 640)	(1 700)	(3 568 340)
Unamortised Discount - Interest		-	-	-
Actuarial Losses		-	(55 520)	(55 520)
Finance Costs		(502 540)	(501 843)	(1 004 383)
Bulk Purchases		(8 335 069)	3 202 607	(5 132 461)
Contracted Services		(466 720)	-	(466 720)
Grants and Subsidies Paid		(8 290 432)	8 290 432	-
Other Operating Grant Expenditure		-	(6 628 680)	(6 628 680)
General Expenses		(5 369 686)	1 865 537	(3 504 149)
Total		<u>(50 218 139)</u>	<u>4 555 560</u>	<u>(45 662 579)</u>
Net Surplus/(Deficit) for the year		<u>(2 129 196)</u>	<u>(587 849)</u>	<u>(2 717 045)</u>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>41. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(5 667 203)	(2 749 217)
<b>Adjustments for:</b>		
Depreciation and amortisation	8 463 236	7 306 440
Debt Forgiveness from DBSA	-	(3 544 826)
Loss/(Gain) on disposal of property, plant and equipment	-	32 172
Impairment Loss/(Reversal of Impairment Loss)	-	3 305 330
Government Grants and Subsidies received	33 905 576	-
Government Grants and Subsidies recognised as revenue	(32 090 306)	-
Contribution to provisions – Non-Current Provisions	528 657	-
Contribution from/to provisions - Non-Current Employee Benefits	245 856	162 557
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	82 113	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(2 687)	-
Contribution to provisions – Bad debt	5 338 387	3 142 675
Operating lease income accrued	222	-
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	10 803 850	7 655 131
Changes in working capital	7 132 007	124 267
Increase/(Decrease) in Consumer Deposits	8 171	(815)
Increase/(Decrease) in Trade and Other Payables	7 886 208	6 439 211
Increase/(Decrease) in Employee Benefits	332 185	-
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	-	(17 464)
Increase/(Decrease) in Taxes	(1 475 027)	(1 272 682)
(Increase)/Decrease in Inventory	(14 950)	84 914
(Increase)/Decrease in Trade Receivables from exchange transactions	(3 417 190)	(3 083 065)
(Increase)/Decrease in Other Receivables from non-exchange transactions	3 812 609	(2 025 634)
(Increase)/Decrease in Operating Lease Asset	-	(198)
<b>Cash generated/(absorbed) by operations</b>	<b>17 935 857</b>	<b>7 779 398</b>
<b>42. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 20	(3 967 366)	(3 929 281)
Call Investments Deposits - Note 20	641 690	978 293
<b>Total cash and cash equivalents</b>	<b>(3 325 676)</b>	<b>(2 950 988)</b>
<b>43. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 42	(3 325 676)	(2 950 988)
<b>Less:</b>	(7 913 917)	(5 989 797)
Unspent Committed Conditional Grants - Note 10	(7 913 917)	(5 989 797)
Unspent Public Contribution - Note 11	-	-
Unspent Borrowings - Note 44	-	-
VAT - Note 11	-	-
Net cash resources available for internal distribution	(11 239 593)	(8 940 785)
Allocated to:		
Capital Replacement Reserve	-	-
<b>Resources available for working capital requirements</b>	<b>(11 239 593)</b>	<b>(8 940 785)</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	615 029	581 699
Used to finance property, plant and equipment - at cos	(615 029)	(581 699)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

**45. BUDGET COMPARISONS**

	2013 Actual R	2013 Final Budget R	2013 Variance R	2013 Variance %
<b>45.1 Operational Budget by Standard Classification</b>				
<b><u>Revenue - Standard</u></b>				
Governance and Administration				
Executive and council	346 617	2 981 000	(2 634 383)	-88.37%
Budget and Treasury Office	26 101 496	6 092 110	20 009 386	328.45%
Corporate Services	744 548	8 402 777	(7 658 229)	-91.14%
Community and Public Safety				
Community and Social Services	499 194	403	498 791	123769.56%
Sport and Recreation	19 893	58 000	(38 107)	-65.70%
Economic and Environmental Services				
Planning and Development	305 863	1 072 000	(766 137)	-71.47%
Road Transport	6 832 297	10 833 359	(4 001 062)	-36.93%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	5 446 574	4 277 137	1 169 437	27.34%
Water	3 436 215	5 403 165	(1 966 950)	-36.40%
Waste Water Management	1 039 941	1 531 191	(491 250)	-32.08%
Waste Management	1 734 600	3 941 663	(2 207 063)	-55.99%
Other	-	-	-	-
<b>Total Revenue</b>	<b>46 507 240</b>	<b>44 592 805</b>	<b>1 914 435</b>	<b>4.29%</b>
<b><u>Expenditure - Standard</u></b>				
Governance and Administration				
Executive and council	(2 945 783)	(2 979 886)	34 103	-1.14%
Budget and Treasury Office	(7 903 376)	(9 244 400)	1 341 024	-14.51%
Corporate Services	(10 949 576)	(6 338 587)	(4 610 989)	72.74%
Community and Public Safety				
Community and Social Services	(89 701)	(81 000)	(8 701)	10.74%
Sport and Recreation	(127 762)	(21 000)	(106 762)	508.39%
Economic and Environmental Services				
Planning and Development	(982 078)	(995 500)	13 422	-1.35%
Road Transport	(7 451 069)	(1 996 645)	(5 454 424)	273.18%
Trading Services				
Electricity	(9 754 203)	(6 533 359)	(3 220 844)	49.30%
Water	(5 011 357)	(2 250 685)	(2 760 672)	122.66%
Waste Water Management	-	-	-	-
Waste Management	(6 959 537)	(3 196 109)	(3 763 428)	117.75%
<b>Total Expenditure</b>	<b>(52 174 443)</b>	<b>(33 637 171)</b>	<b>(18 537 272)</b>	<b>55.11%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(5 667 203)</b>	<b>10 955 634</b>	<b>(16 622 837)</b>	<b>-151.73%</b>

**Details of material variances**

Refer to notes 46.2.6 and 46.2.7.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %
<b>45.2 Capital Expenditure by Standard Classification</b>				
Governance and Administration				
Executive and council	488 181	-	488 181	100.00%
Budget and Treasury Office	6 196	-	6 196	100.00%
Corporate Services	346 248	-	346 248	100.00%
Community and Public Safety				
Sport and Recreation	1 274 595	475 000	799 595	168.34%
Public Safety	-	-	-	-
Housing	-	1 870 000	(1 870 000)	-100.00%
Economic and Environmental Services				
Road Transport	1 346 279	-	1 346 279	100.00%
Trading Services				
Electricity	3 672 558	3 811 000	(138 442)	-3.63%
Water	11 157 083	7 875 000	3 282 083	41.68%
Waste Water Management	195 000	-	195 000	100.00%
Waste Management	-	-	-	-
<b>Total Capital Expenditure</b>	<b>18 486 140</b>	<b>14 031 000</b>	<b>4 455 140</b>	<b>31.75%</b>

Details of material variances

Refer to note 46.2.2.

**45.3 Operational Budget by Municipal Vote**

Revenue - Vote

Executive and Council	346 617	2 981 480	(2 634 863)	-88.37%
Municipal Manager	346 617	452 120	(105 503)	-23.34%
Councillors	-	2 529 360	(2 529 360)	-100.00%
Finance and Administration	27 338 600	14 495 269	12 843 331	88.60%
Finance	26 101 496	6 092 292	20 009 204	328.43%
Administration	744 548	8 402 977	(7 658 429)	-91.14%
Commonage	492 555	-	492 555	-
Community and Social Services	6 639	-	6 639	-
Cemeteries	6 086	-	6 086	-
Libraries	553	-	553	-
Sport and Recreation	126 091	57 698	68 393	118.54%
Sportgrounds and Community Facilities	106 198	-	106 198	-
Caravan Park	19 893	57 698	(37 805)	-65.52%
Waste Management	1 734 600	3 941 497	(2 206 897)	-55.99%
Refuse and Sanitation	1 734 600	3 941 497	(2 206 897)	-55.99%
Water	3 436 215	5 402 916	(1 966 701)	-36.40%
Water	3 436 215	5 402 916	(1 966 701)	-36.40%
Electricity	5 446 574	4 277 080	1 169 494	27.34%
Electricity	5 446 574	4 277 080	1 169 494	27.34%
Economic and Social Development	199 665	1 071 510	(871 845)	-81.37%
Local Economic Development	199 665	1 071 510	(871 845)	-81.37%
Technical and Roads	6 832 297	10 833 732	(4 001 435)	-36.93%
Streets	6 832 297	10 833 732	(4 001 435)	-36.93%
Waste Water Management	1 039 941	1 531 397	(491 456)	-32.09%
Sewerage	1 039 941	1 531 397	(491 456)	-32.09%
<b>Total Revenue</b>	<b>46 507 240</b>	<b>44 592 579</b>	<b>1 914 661</b>	<b>4.29%</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %
<b><u>Expenditure - Vote</u></b>				
Executive and Council	(2 945 783)	(2 980 592)	34 809	-1.17%
Municipal Manager	(431 565)	(503 691)	72 126	-14.32%
Councillors	(2 514 218)	(2 476 901)	(37 317)	1.51%
Finance and Administration	(18 922 374)	(15 664 407)	(3 257 967)	20.80%
Finance	(7 903 376)	(9 244 512)	1 341 136	-14.51%
Administration	(10 949 576)	(6 324 335)	(4 625 241)	73.13%
Commonage	(69 422)	(95 560)	26 138	-27.35%
Community and Social Services	(20 279)	-	(20 279)	-
Cemeteries	(20 279)	-	(20 279)	-
Libraries	-	-	-	-
Sport and Recreation	(127 762)	(20 500)	(107 262)	523.23%
Sportgrounds and Community Facilities	(96 842)	-	(96 842)	-
Caravan Park	(30 920)	(20 500)	(10 420)	50.83%
Waste Management	(6 959 537)	(3 195 640)	(3 763 897)	117.78%
Refuse and Sanitation	(6 959 537)	(3 195 640)	(3 763 897)	117.78%
Water	(5 011 357)	(2 251 036)	(2 760 321)	122.62%
Water	(5 011 357)	(2 251 036)	(2 760 321)	122.62%
Electricity	(9 754 203)	(6 533 272)	(3 220 931)	49.30%
Electricity	(9 754 203)	(6 533 272)	(3 220 931)	49.30%
Economic and Social Development	(982 078)	(995 329)	13 251	-1.33%
Local Economic Development	(982 078)	(995 329)	13 251	-1.33%
Technical and Roads	(7 451 069)	(1 996 169)	(5 454 900)	273.27%
Streets	(7 451 069)	(1 996 169)	(5 454 900)	273.27%
Waste Water Management	-	-	-	-
Sewerage	-	-	-	-
<b>Total Expenditure</b>	<b>(52 174 443)</b>	<b>(33 636 945)</b>	<b>(18 537 498)</b>	<b>0.00%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(5 667 203)</b>	<b>10 955 634</b>	<b>(16 622 837)</b>	<b>-151.73%</b>

**Details of material variances**

Refer to notes 46.2.6 and 46.2.7.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %
<b>45.4 Capital Expenditure by Municipal Vote</b>				
Executive and Council	488 181	-	488 181	100.00%
Municipal Manager	488 181	-	488 181	100.00%
Councillors	-	-	-	-
Finance and Administration	352 444	-	352 444	100.00%
Finance	6 196	-	6 196	100.00%
Administration	346 248	-	346 248	100.00%
Commonage	-	-	-	-
Community and Social Services	-	-	-	-
Cemeteries	-	-	-	-
Libraries	-	-	-	-
Sport and Recreation	1 274 595	475 000	799 595	168.34%
Sportgrounds and Community Facilities	1 274 595	475 000	799 595	168.34%
Caravan Park	-	-	-	-
Waste Management	-	-	-	-
Refuse and Sanitation	-	-	-	-
Water	11 157 083	7 874 616	3 282 467	41.68%
Water	11 157 083	7 874 616	3 282 467	41.68%
Electricity	3 672 558	3 811 384	(138 826)	-3.64%
Electricity	3 672 558	3 811 384	(138 826)	-3.64%
Economic and Social Development	9 750	1 870 000	(1 860 250)	-99.48%
Local Economic Development	9 750	1 870 000	(1 860 250)	-99.48%
Technical and Roads	1 336 529	-	1 336 529	100.00%
Streets	1 336 529	-	1 336 529	100.00%
Waste Water Management	195 000	-	195 000	100.00%
Sewerage	195 000	-	195 000	100.00%
<b>Total Capital Expenditure</b>	<b>18 486 140</b>	<b>14 031 000</b>	<b>4 455 140</b>	<b>0.00%</b>

Details of material variances

Refer to note 46.2.2.

#### 46.1 Explanation of variances between approved and final budget amounts

**47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

### 47.1 Unauthorised expenditure

Opening balance  
Unauthorised expenditure current year - operations  
Unauthorised expenditure current year - capital  
Approved by Council or condoned  
Transfer to receivables for recovery

2013 R	2012 R
45 252 914	28 514 330
18 585 558	16 738 583
6 454 216	-
-	-
-	-
<b>70 292 688</b>	<b>45 252 914</b>

Unauthorized expenditure awaiting authorisation

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Over expenditure of approved budget - 2010</i>	<i>To be condoned by Council</i>	29 684	29 684
<i>Over expenditure of approved budget - 2011</i>	<i>To be condoned by Council</i>	28 371 069	28 371 069
<i>Over expenditure of approved budget - 2012</i>	<i>To be condoned by Council</i>	16 738 583	16 738 583
<i>Over expenditure of approved budget - 2013</i>	<i>To be condoned by Council</i>	25 039 774	
<i>Bank Shortages - 2011</i>	<i>None</i>	28 274	28 274
<i>Fraud Vehicle Registration - 2011</i>	<i>None</i>	78 504	78 504
<i>Withdrawal by former CFO, EB Toontjies - 2011</i>	<i>None</i>	6 800	6 800
		70 292 688	45 252 914

## 47.2 Fruitless and wasteful expenditure

Opening balance  
Fruitless and wasteful expenditure current year  
Condoned or written off by Council  
Transfer to receivables for recovery - not condoned

788 798	616 498
-	172 301
-	-
-	-
<b>788 798</b>	<b>788 798</b>

## Fruitless and wasteful expenditure awaiting condonemen

Incident		Disciplinary steps/criminal proceedings		
<i>Legal Cost (Hondeklipbaai Stands) - 2011</i>		<i>None</i>	199 191	199 191
<i>Interest on late payment - Various Creditors - 2011</i>		<i>None</i>	417 306	417 306
<i>Interest on late payment - Various Creditors - 2012</i>		<i>None</i>	172 301	172 301
			788 798	788 798

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>47.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	6 377 155	3 715 210
Irregular expenditure current year	-	2 661 945
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	<b>6 377 155</b>	<b>6 377 155</b>
Irregular expenditure awaiting condonement from National Treasury	<b>6 377 155</b>	<b>6 377 155</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Expenditure contrary to SCM Processes - 2010	None	3 715 210
Expenditure contrary to SCM Processes - 2012	None	2 661 945
	<b>6 377 155</b>	<b>6 377 155</b>
Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.		
<b>48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)</b>		
Opening balance	168 648	175 648
Council subscriptions	400 000	103 000
Amount paid - current year	(200 000)	(110 000)
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>368 648</b>	<b>168 648</b>
<b>48.2 Audit fees - [MFMA 125 (1)(c)]</b>		
Opening balance	3 746 405	3 025 763
Current year audit fee	1 274 419	770 642
External Audit - Auditor-General	1 083 861	662 806
Interest	190 558	107 836
Amount paid - current year	-	-
Amount paid - previous year	(300 000)	(50 000)
<b>Balance unpaid (included in creditors)</b>	<b>4 720 824</b>	<b>3 746 405</b>
<b>48.3 VAT - [MFMA 125 (1)(c)]</b>		
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 11.		
<b>48.4 PAYE and UIF - [MFMA 125 (1)(c)]</b>		
Opening balance	-	-
Current year payroll deductions	1 554 199	1 557 582
Amount paid - current year	(1 162 584)	(1 557 582)
<b>Balance unpaid (included in creditors)</b>	<b>391 616</b>	<b>-</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>48.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 318 133	1 230 129
Amount paid - current year	(1 968 509)	(1 230 129)
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>349 624</b>	<b>-</b>

**48.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2013:

**Outstanding  
more than 90  
days**

S Nero

2 147

**48.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
July	7 258	-	-	2	-
August	143 921	-	-	2	3
September	2 032	-	-	3	-
October	12 360	-	-	2	2
November	-	-	-	-	-
December	415 154	-	-	2	7
January	24 072	-	-	2	3
February	7 111	-	-	1	-
March	40 846	-	-	2	2
April	8 581	-	1	3	-
May	30 925	-	-	-	1
June	500	-	-	1	-
	692 760	-	1	20	18

**49. CAPITAL COMMITMENTS****Commitments in respect of capital expenditure:**

Approved and contracted for:

Infrastructure  
Community  
Other

16 283 048 2 403 295

11 515 956	1 001 686
4 767 092	1 401 609
-	-

Approved and not yet contracted for:

Infrastructure  
Community  
Other

7 817 413

-	4 481 892
-	3 335 521
-	-

**Total**

**16 283 048 10 220 708**

This expenditure will be financed from:

External Loans  
Capital Replacement Reserve  
Government Grants  
Own Resources  
District Council Grants

- -  
- -  
16 283 048 10 220 708  
- -  
- -

**Total**

**16 283 048 10 220 708**



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>50. FINANCIAL RISK MANAGEMENT</b>		
<p>The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.</p>		
<b>(a) Foreign Exchange Currency Risk</b>		
<p>The municipality does not engage in foreign currency transactions.</p>		
<b>(b) Price Risk</b>		
<p>The municipality is not exposed to price risk.</p>		
<b>(c) Interest Rate Risk</b>		
<p>As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</p>		
<p>The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p>		
<p>The municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:</p>		
1% (2012: 1%) Increase in interest rates	39 940	7 950
1% (2012: 1%) Decrease in interest rates	(39 940)	(7 950)
<b>(d) Credit Risk</b>		
<p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.</p>		
<p>Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p>		
<p>Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p>		
<p>All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p>		

**KAMIESBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013 %</b>	<b>2013 R</b>	<b>2012 %</b>	<b>2012 R</b>
<u>Non-exchange Receivables</u>				
Rates	100.00%	7 060 268	100.00%	5 078 773
<u>Exchange Receivables</u>				
Electricity	15.58%	3 655 580	17.04%	3 070 484
Water	27.32%	6 412 326	27.79%	5 007 766
Refuse	12.48%	2 929 663	13.24%	2 384 922
Sewerage	5.81%	1 363 764	5.71%	1 027 980
Other	38.81%	9 106 992	36.22%	6 526 102
	<u>100.00%</u>	<u>23 468 327</u>	<u>100.00%</u>	<u>18 017 254</u>

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	<b>2013 %</b>	<b>2013 R</b>	<b>2012 %</b>	<b>2012 R</b>
Exchange Receivables	80.17%	20 473 828	81.80%	16 522 085
Non-Exchange Receivables	19.83%	5 063 065	18.20%	3 676 422
	<u>100.00%</u>	<u>25 536 893</u>	<u>100.00%</u>	<u>20 198 507</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where

	<b>2013 R</b>	<b>2012 R</b>
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	23 468 327	20 051 135
Receivables from non-exchange transactions	7 183 697	10 996 306
Cash and Cash Equivalents	641 690	978 293
Unpaid Conditional Grants and Subsidies	(108 851)	-
	<u>31 184 863</u>	<u>32 025 735</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## (e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2013</b>				
Long-term Liabilities	250 311	570 540	-	-
Provision for Rehabilitation of Landfill-sites	9 339 611	2 451 433	3 388 729	11 584 919
Trade and Other Payables	15 369 533	-	-	-
	<u>24 959 455</u>	<u>3 021 972</u>	<u>3 388 729</u>	<u>11 584 919</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2012</b>				
Long-term Liabilities	280 319	444 949	-	-
Provision for Rehabilitation of Landfill-sites	8 810 953	2 312 672	3 326 156	12 314 910
Trade and Other Payables	7 483 326	-	-	-
	<u>16 574 599</u>	<u>2 757 621</u>	<u>3 326 156</u>	<u>12 314 910</u>

## FINANCIAL INSTRUMENTS

51.

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

51.1

**Financial Assets****Classification****Receivables from Exchange Transactions**

Electricity	Financial Instruments at amortised cost	3 655 580	3 070 484
Refuse	Financial Instruments at amortised cost	2 929 663	2 384 922
Sewerage	Financial Instruments at amortised cost	1 363 764	1 027 980
Water	Financial Instruments at amortised cost	6 412 326	5 007 766
Other Debtors	Financial Instruments at amortised cost	9 106 992	8 559 984

**Cash and Cash Equivalents**

Call Deposits	Financial Instruments at amortised cost	641 690	978 293
---------------	---	---------	---------

**Total Financial Assets**

**24 110 017**      **21 029 428**

## SUMMARY OF FINANCIAL ASSETS

**Financial Instruments at amortised cost:**

Receivables from Exchange Transactions	Electricity	3 655 580	3 070 484
Receivables from Exchange Transactions	Refuse	2 929 663	2 384 922
Receivables from Exchange Transactions	Sewerage	1 363 764	1 027 980
Receivables from Exchange Transactions	Water	6 412 326	5 007 766
Receivables from Exchange Transactions	Other Debtors	9 106 992	8 559 984
Cash and Cash Equivalents	Call Deposits	641 690	978 293

**Total Financial Assets**

**24 110 017**      **21 029 428**

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
<b>51.2</b>	<b><u>Financial Liabilities</u></b>		
	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	615 029	370 701
	<b>Trade and Other Payables</b>		
	Trade Creditors	12 111 533	15 475 118
	Retentions	184 727	1 289 272
	Other Creditors	2 327 770	3 469 094
		<u>15 239 059</u>	<u>20 604 184</u>

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial instruments at amortised cost:**

Long-term Liabilities	Capitalised Lease Liability	615 029	370 701
Trade and Other Payables	Trade Creditors	12 111 533	15 475 118
Trade and Other Payables	Retentions	184 727	1 289 272
Trade and Other Payables	Other Creditors	2 327 770	3 469 094
		<u>15 239 059</u>	<u>20 604 184</u>

**52. EVENTS AFTER THE REPORTING DATE**

The Municipality is not aware of any events after the reporting date.

**53. IN-KIND DONATIONS AND ASSISTANCE**

The municipality received the following in-kind donations and assistance:

- (i) Secondment of a Finance Advisor by National Treasury for two years

**54. PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**55. CONTINGENT LIABILITY**

Claims against Council	<u>1 300 000</u>	<u>940 000</u>
------------------------	------------------	----------------

The municipality is being sued by the widow of Mr LJ Swart for damages and loss of support. The municipality allegedly failed to switch of the electricity supply to the supply system on which Mr Swart was working as an independent contractor on behalf of the municipality, which caused Mr Swart to receive a fatal electrical shock. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The claimed amount does not include legal costs. The outcome of the case is still uncertain.

**56. RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**56.1 Related Party Transactions**

	Rates	Service Charges	Other	Outstanding Balance
<b>Year ended 30 June 2013</b>				
Councillors				
MJ Cloete	1 116	14 290	-	3 075
SC Nero	50	1 809	-	2 722
MR Klaase	370	4 985	-	1 159
MS Cardinal	144	1 592	-	108
	<u>1 681</u>	<u>22 675</u>	<u>-</u>	<u>7 064</u>

# KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Municipal Manager and Section 57 Employees:

D Beukes	-	1 895	-	284
FA Links	286	5 082	-	530
JG Cloete	-	1 112	-	752
	<b>286</b>	<b>8 088</b>	<b>-</b>	<b>1 565</b>

	<b>Rates</b>	<b>Service Charges</b>	<b>Other</b>	<b>Outstanding Balance</b>
<b>Year ended 30 June 2012</b>				
Councillors				
MJ Cloete	200	1 553	-	1 626
SC Nero	485	5 925	-	6 621
MR Klaase	-	379	-	379
MS Cardinal	136	102	-	102
	<b>821</b>	<b>7 958</b>	<b>-</b>	<b>8 727</b>
Municipal Manager and Section 57 Employees:				
D Beukes	-	1 895	-	484
FA Links	-	9 995	-	1 498
	<b>-</b>	<b>11 890</b>	<b>-</b>	<b>1 982</b>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

### 56.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

### 57. Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>		
MJ Cloete	Melvin Cloete	-	77 194
		<b>-</b>	<b>77 194</b>

### 58. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the socio-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Kamiesberg Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

### 13. PROPERTY, PLANT AND EQUIPMENT

#### 13.1 30 JUNE 2013

Reconciliation of Carrying Value						
	Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2012</b>	7 275 297	11 202 439	81 507 300	517 472	1 991 177	102 493 685
<b>Cost</b>	7 275 297	19 264 431	174 462 219	963 767	3 653 506	205 619 220
Original Cost	7 275 297	19 264 431	174 462 219	963 767	3 653 506	205 619 220
Revaluation	-	-	-	-	-	-
<b>Accumulated Depreciation</b>	-	(8 061 992)	(92 954 919)	(446 295)	(1 662 329)	(103 125 535)
Original Cost	-	(8 061 992)	(92 954 919)	(446 295)	(1 662 329)	(103 125 535)
Revaluation	-	-	-	-	-	-
<b>Acquisitions</b>	-	1 274 595	14 806 023	346 248	704 782	17 131 648
<b>Capital under Construction</b>	-	-	1 354 492	-	-	1 354 492
<b>Depreciation</b>	-	(655 212)	(6 928 062)	(188 532)	(602 973)	(8 374 780)
Normal Depreciation	-	(655 212)	(6 928 062)	(188 532)	(602 973)	(8 374 780)
Backlog Depreciation previously not recorded	-	-	-	-	-	-
<b>Carrying value of disposals</b>	-	-	-	(96 265)	(46 000)	(142 265)
Cost	-	-	-	(403 960)	(46 000)	(449 960)
Accumulated Depreciation	-	-	-	307 695	-	307 695
<b>Carrying Value at 30 June 2013</b>	7 275 297	11 821 822	90 739 752	578 924	2 046 985	112 462 781
<b>Cost</b>	7 275 297	20 539 026	190 622 734	906 055	4 312 288	223 655 400
Original Cost	7 275 297	20 539 026	190 622 734	906 055	4 312 288	223 655 400
Revaluation	-	-	-	-	-	-
<b>Accumulated Depreciation</b>	-	(8 717 204)	(99 882 982)	(327 131)	(2 265 302)	(111 192 620)
Original Cost	-	(8 717 204)	(99 882 982)	(327 131)	(2 265 302)	(111 192 620)
Revaluation	-	-	-	-	-	-

## 13.2 30 JUNE 2012

Reconciliation of Carrying Value						
	Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2011</b>	7 275 297	7 932 374	80 539 610	583 471	2 709 833	99 040 585
<b>Cost</b>	7 275 297	15 367 046	166 850 923	851 789	5 342 741	195 687 796
Original Cost	7 777 356	15 367 046	188 770 637	847 121	5 342 741	218 104 901
Correction of Error - Note 40.10	(502 059)	-	(21 919 714)	4 668	-	(22 417 105)
Revaluation	-	-	-	-	-	-
<b>Accumulated Depreciation</b>	-	(7 434 672)	(86 311 313)	(268 318)	(2 632 908)	(96 647 211)
Original Cost	-	(7 434 672)	(85 657 444)	(268 077)	(2 632 908)	(95 993 101)
Correction of Error - Note 40.10	-	-	(653 869)	(241)	-	(654 110)
<b>Acquisitions</b>	-	405 302	2 027 591	111 978	-	2 544 871
<b>Capital under Construction</b>	-	3 492 083	5 583 705	-	-	9 075 788
<b>Depreciation</b>	-	(627 320)	(6 643 606)	(177 977)	(556 987)	(8 005 890)
Normal Depreciation	-	(627 320)	(5 913 491)	(177 667)	(556 987)	(7 275 465)
Backlog Depreciation previously not recorded - Note 40.10	-	-	(730 115)	(310)	-	(730 425)
<b>Carrying value of disposals</b>	-	-	-	-	(161 669)	(161 669)
Cost	-	-	-	-	(1 689 235)	(1 689 235)
Accumulated Depreciation	-	-	-	-	1 527 566	1 527 566
<b>Carrying Value at 30 June 2012</b>	7 275 297	11 202 439	81 507 300	517 472	1 991 177	102 493 685
<b>Cost</b>	7 275 297	19 264 431	174 462 219	963 767	3 653 506	205 619 220
Original Cost	7 275 297	19 264 431	174 462 219	963 767	3 653 506	205 619 220
Revaluation	-	-	-	-	-	-
<b>Accumulated Depreciation</b>	-	(8 061 992)	(92 954 919)	(446 295)	(1 662 329)	(103 125 535)
Original Cost	-	(8 061 992)	(92 954 919)	(446 295)	(1 662 329)	(103 125 535)
Revaluation	-	-	-	-	-	-

**APPENDIX A**  
**KAMIESBERG MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2012</b>	<b>Correction of Error</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2013</b>
<b>LEASE LIABILITY</b>								
Nashua		Various		565 835		335 176	298 564	602 447
Nashua Mobile				8 755	7 109	11 072	14 353	12 583
<b>Total Lease Liabilities</b>				<b>574 590</b>	<b>7 109</b>	<b>346 248</b>	<b>312 917</b>	<b>615 030</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>574 590</b>	<b>7 109</b>	<b>346 248</b>	<b>312 917</b>	<b>615 030</b>



**APPENDIX B**  
**KAMIESBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
-	4 944 791	(4 944 791)	Executive & Council	346 617	2 945 783	(2 599 167)
18 117 214	7 084 059	11 033 155	Budget & Treasury Office	26 101 496	7 903 376	18 198 120
293 165	4 237 521	(3 944 356)	Corporate Services	744 548	10 949 576	(10 205 027)
1 616 613	1 369 966	246 647	Planning & Development	305 863	982 078	(676 215)
-	35 847	(35 847)	Health	-	-	-
702 369	90 358	612 011	Community & Social Services	499 194	89 701	409 493
-	-	-	Housing	-	-	-
-	-	-	Public Safety	-	-	-
854 795	87 577	767 218	Sport and Recreation	19 893	127 762	(107 869)
-	-	-	Environmental Protection	-	-	-
5 146 179	5 853 784	(707 605)	Waste Management	1 734 600	6 959 537	(5 224 937)
950 114	-	950 114	Waste Water Management	1 039 941	-	1 039 941
5 470 189	10 681 395	(5 211 206)	Road Transport	6 832 297	7 451 069	(618 772)
11 467 432	6 766 459	4 700 973	Water	3 436 215	5 011 357	(1 575 142)
3 503 493	9 719 023	(6 215 530)	Electricity	5 446 574	9 754 203	(4 307 629)
48 121 563	50 870 780	(2 749 217)	Sub Total	46 507 240	52 174 443	(5 667 203)
-	-	-	Less Inter-Departmental Charges	-	-	-
48 121 563	50 870 780	(2 749 217)	<b>Total</b>	46 507 240	52 174 443	(5 667 203)

**APPENDIX C**  
**KAMIESBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R
-	4 944 791	(4 944 791)	<b>EXECUTIVE &amp; COUNCIL</b>	346 617	431 565
-	-	-	Municipal Manager	-	2 514 218
			Councillors		
18 117 214	7 084 059	11 033 155	<b>FINANCE &amp; ADMINISTRATION</b>	26 101 496	7 903 376
293 165	4 237 521	(3 944 356)	Finance	744 548	10 949 576
-	-	-	Administration	492 555	69 422
			Commonage		
-	35 847	(35 847)	<b>COMMUNITY &amp; SOCIAL SERVICES</b>	6 086	20 279
702 369	90 358	612 011	Cemeteries	553	-
			Libraries		
854 795		854 795	<b>SPORT AND RECREATION</b>	106 198	96 842
-	87 577	(87 577)	Sportgrounds and Community Facilities	19 893	30 920
			Caravan Park		
5 146 179	5 853 784	(707 605)	<b>WASTE MANAGEMENT</b>	1 734 600	6 959 537
			Refuse and Sanitation		
11 467 432	6 766 459	4 700 973	<b>WATER</b>	3 436 215	5 011 357
			Water		
3 503 493	9 719 023	(6 215 530)	<b>ELECTRICITY</b>	5 446 574	9 754 203
			Electricity		
1 616 613	1 369 966	246 647	<b>ECONOMIC AND SOCIAL DEVELOPMENT</b>	199 665	982 078
			Local Economic Development		
5 470 189	10 681 395	(5 211 206)	<b>TECHNICAL AND ROADS</b>	6 832 297	7 451 069
			Streets		
950 114	-	950 114	<b>WASTE WATER MANAGEMENT</b>	1 039 941	-
			Sewerage		
48 121 563	50 870 780	(2 749 217)	Sub Total	46 507 240	52 174 443
-	-	-	Less Inter-Departmental Charges	-	-
48 121 563	50 870 780	(2 749 217)	<b>Total</b>	46 507 240	52 174 443

2013 Surplus/ (Deficit) R
(84 949)
(2 514 218)
18 198 120
(10 205 027)
423 133
(14 193)
553
9 356
(11 027)
(5 224 937)
(1 575 142)
(4 307 629)
(782 413)
(618 772)
1 039 941
(5 667 203)
-
(5 667 203)

**APPENDIX D**  
**KAMIESBERG MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2012	Correction of Error	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2013	Unspent 30 June 2013 (Creditor)	Unpaid 30 June 2013 (Debtor)
<b><u>National Government Grants</u></b>										
Equitable Share	-	-	10 678 000	-	-	(10 678 000)	-	-	-	-
Finance Management Grant	488 368	(541 389)	1 500 000	-	-	(1 555 829)	-	(108 851)	-	(108 851)
Municipal System Improvement Grant	714 988	(134 633)	800 000	-	-	(1 007 677)	-	372 678	372 678	-
Municipal Infrastructure Grant	10 078 648	(5 102 749)	11 686 000	-	-	-	(10 280 502)	6 381 397	6 381 397	-
Department Minerals and Energy	2 651 688	(2 551 715)	1 500 000	-	-	-	(1 426 568)	173 405	173 405	-
<b>Total National Government Grants</b>	<b>13 933 692</b>	<b>(8 330 486)</b>	<b>26 164 000</b>	<b>-</b>	<b>-</b>	<b>(13 241 507)</b>	<b>(11 707 070)</b>	<b>6 818 629</b>	<b>6 927 480</b>	<b>(108 851)</b>
<b><u>Provincial Government Grants</u></b>										
Expanded Public Works Program	-	-	-	-	-	-	-	-	-	-
Department Water Affairs and Environment	-	150 643	-	-	-	(9 281)	-	141 362	141 362	-
Drought Relief	-	24 409	-	-	-	-	-	24 409	24 409	-
Department Finance, Economic Development & Tourism	50 000	-	-	-	-	-	-	50 000	50 000	-
Housing	(2 593 087)	2 404 256	5 828 987	-	-	(5 135 459)	-	504 697	504 697	-
Library	-	(129 430)	237 500	-	-	(108 070)	-	-	-	-
Project Nala	487 752	(251 302)	-	-	-	-	-	236 450	236 450	-
Tourism	-	75 703	53 000	-	-	(105 927)	-	22 776	22 776	-
Department Social Services	-	482	-	-	-	-	-	482	482	-
Department Sport, Arts & Culture	2 151 995	(2 151 995)	100 000	-	-	(93 738)	-	6 262	6 262	-
<b>Total Provincial Government Grants</b>	<b>96 660</b>	<b>122 765</b>	<b>6 219 487</b>	<b>-</b>	<b>-</b>	<b>(5 452 475)</b>	<b>-</b>	<b>986 438</b>	<b>986 438</b>	<b>-</b>
<b><u>District Municipality</u></b>										
Namakwa DM	-	167 166	1 522 089	-	-	(1 689 254)	-	-	-	-
<b>Total District Municipality Grants</b>	<b>-</b>	<b>167 166</b>	<b>1 522 089</b>	<b>-</b>	<b>-</b>	<b>(1 689 254)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Grants</b>	<b>14 030 352</b>	<b>(8 040 555.15)</b>	<b>33 905 576</b>	<b>-</b>	<b>-</b>	<b>(20 383 236)</b>	<b>(11 707 070)</b>	<b>7 805 067</b>	<b>7 913 918</b>	<b>(108 851)</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.